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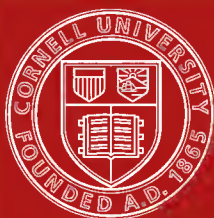
**SECRETARY OF WAR AND
TO THE PHILIPPINE
COMMISSION**

BY

E. W. KEMMERER

SPECIAL COMMISSIONER TO EGYPT

MANILA
BUREAU OF PRINTING
1906



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REPORT ON THE AGRICULTURAL BANK OF EGYPT

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REPORT ON THE AGRICULTURAL BANK OF EGYPT.

ITHACA, N. Y., *June 1, 1906.*

SIRS: Pursuant to a resolution of the Philippine Commission under date of February 9, 1906, appointing me as Special Commissioner to Egypt, with instructions to make a study of the Agricultural Bank of Egypt, and to prepare a report on the same, to be submitted to the Secretary of War and to the Philippine Commission, I have the honor to make the following report, which should be considered as supplementary to my report to the Treasurer of the Philippine Islands under date of February 7, 1905, concerning *the advisability of establishing a Government agricultural bank in the Philippines.*

INDEBTEDNESS OF THE FELLAHEEN.

At the time of the establishment of England's so-called "single control" in Egypt in 1883 the Egyptian fellaheen, as well as the Egyptian Government, were badly in debt. For years the fellaheen had been the victims of a most oppressive and unjust system of taxation. The burden of the taxes fell upon the poor peasants, while the wealthy landowners were either entirely exempt or escaped by the payment of merely nominal amounts. The tax collectors were as a rule unscrupulous men, who took every piaster¹ they could lay hands upon, regardless of law or of justice. Only a small part of the money collected ever reached the public treasury, and of that amount only a small proportion was expended wisely and for the benefit of the public. The situation is well described by Viscount Milner:²

The fellah had for years past been driven to borrowing, and to borrowing on ruinous conditions, by the Government itself. The tax gatherer had paved the way for the usurer. It was not the amount of taxation, crushing as in many cases it was, which did the mischief. It was above all the irregular, cruel, and arbitrary manner in which the taxes were collected. The fellah was seldom

¹ The unit of value in Egypt is the Egyptian pound, the symbol for which is £E. The Egyptian pound is divided into 100 piasters, the symbol for which is PT, and the piaster is divided into 10 milliemes, the symbol for which is M. The Egyptian pound weighs 8.5 grammes of gold 0.875 fine, and is therefore worth £1 0s. 6½d. sterling, or almost exactly \$5, United States currency. The piaster is accordingly the equivalent of 5 cents, American money, and the millieme the equivalent of one-half cent. The English sovereign, which is the principal gold coin circulating in Egypt, passes current at the rate of PT97½.

² England in Egypt, 11th ed., p. 82.

sure of the amount which would be demanded of him. He was never sure of the moment when the demand would be made. That moment might, as likely as not, be the very one at which he was least able to pay. Called upon to find ready money while his crops were still in the ground, he was simply driven into the arms of the money lender. His choice lay between so many blows of the kurbash and the acceptance of the usurer's terms, however onerous. Under these circumstances money was borrowed at as much as 60 per cent per annum. Worse than that, it was obtained by the sale of the growing crops, which were estimated for the purpose of the advance at half or less than half their value. This state of things was bad enough, and it was pretty general; but the ruin of the cultivator was consummated in many instances by positive collusion with the usurer on the part of corrupt officials. The latter would demand the payment of taxes by the peasant, who was already in debt, at the very time when the interest on his debt was due. If he had any cash at all, the authorities were bound to get it. When the usurer came after them, nothing was left to the fellah but to surrender his land and cattle, or to renew his bond on still more ruinous terms. He was, in fact, entirely at the mercy of the lender.

Sir Auckland Colvin says the exactions of usurers ranged from 25 to 200 per cent.¹ Interest charges of 40 and 50 per cent were common.²

The Earl of Cromer, in his report for the year 1895,³ cites the following instances as illustrative of the relations which generally existed between the money lenders and the ignorant cultivators:

A small cultivator in Upper Egypt borrowed £10 from an European money lender. In order to obtain the money he was obliged to sign a bond for £15. He states that for three years he paid £5 at the end of each year. At the end of the third year he was asked to repay the capital sum of £15. This he first refused to do, alleging that account should be taken of the payments already made. As no written documents other than the original bond for £15 had passed, the annual payments could not be proved. The creditor then threatened legal proceedings. These would have been instituted at Cairo, some 400 miles distant from the residence of both the creditor and the debtor. Rather than go to the expense of a lawsuit, the debtor sold his house to the creditor for £61, the price being fixed by the latter, who then deducted £15 on account of the original debt, and £14 for the expenses of sale and transfer. The balance, namely, £32, was then handed over to the debtor. It will be seen, therefore, that besides being obliged to sell his house for a sum which was probably below its market value, the debtor paid no less than £34 in the shape of interest and legal expenses in return for a loan of £10 for a little more than three years.

The following table shows the mortgage indebtedness of Egyptian landowners for the years 1894 and 1902, and affords an idea of the distribution of land among different classes of proprietors. The figures for indebtedness do not include the great mass of debts not secured by

¹ The Making of Modern Egypt, 2d ed., p. 280.

² Compare Phil. Agric. Bank Rep.; pp. 7, 28, 29, 31-43.

³ Reports by Her Majesty's Agent and Consul-General on the Finances, Administration, and Condition of Egypt in 1895, p. 7.

These annual reports are known by the title of "Egypt," followed by the number, and the year in which issued, being the year subsequent to that covered by the report; thus, the report above mentioned would be cited "Egypt" No. 1 (1896).

land mortgages—as, for example, those secured by the pledging of growing crops or by other personal property. It is probable that the figures for 1902 are considerably more complete than those for 1894.

TABLE I.—*Distribution of agricultural land and indebtedness of the fellahen.*^a

Classification of landowners.	Number of land-owners of each class.		Area of land owned by each class of land-owners.		Area of land mortgaged. ^b	
	1894.	1902.	1894.	1902.	1894.	1902.
Owners of—			<i>Feddans.</i>	<i>Feddans.</i>	<i>Feddans.</i>	<i>Feddans.</i>
5 feddans and under ^c	513,080	875,202	933,700	1,171,338	21,400	71,854
5 to 10 feddans	75,130	79,386	552,700	556,422	16,000	43,110
10 to 20 feddans	39,620	38,825	560,300	539,008	20,400	48,790
20 to 30 feddans	13,140	11,909	326,100	292,310	19,600	34,714
30 to 50 feddans	8,980	8,813	347,800	338,922	25,900	53,463
More than 50 feddans	11,430	11,996	2,000,700	2,266,388	292,300	778,569
Total	661,380	1,026,081	4,721,300	5,164,388	395,600	1,030,500

Classification of landowners.	Proportion of land mortgaged.		Amount of mortgaged debts. ^b		Proportion in which each class of land-owners shares in the total indebtedness.	
	1894.	1902.	1894.	1902.	1894.	1902.
Owners of—	<i>Per cent.</i>	<i>Per cent.</i>	<i>£E.</i>	<i>£E.</i>	<i>Per ct.</i>	<i>Per ct.</i>
5 feddans and under ^c	2.29	6.14	573,300	2,188,007	7.82	10.26
5 to 10 feddans	2.90	7.72	392,200	1,209,230	3.35	5.66
10 to 20 feddans	3.64	9.05	407,700	1,402,588	5.57	6.58
20 to 30 feddans	6	11.9	307,200	1,024,025	4.20	4.80
30 to 50 feddans	7.44	15.77	409,900	1,228,620	5.60	5.80
More than 50 feddans	14.60	34.35	5,233,000	14,287,321	71.46	66.90
Total	8.38	19.95	7,323,300	21,339,791	100	100

^aFigures for 1902 were prepared by Sir Elwin Palmer and are quoted by the Earl of Cromer in "Egypt" No. 1 (1895), p. 30. The figures for 1902 are based upon data given in the Statesman's Year Book 1904, p. 1236.

^bBesides the debt here stated there is a certain amount unregistered, due notably by small proprietors.

^cA feddan is about 1.04 acres.

The table, in so far as the figures can be depended upon as complete, seems to justify the following conclusions:

(1) A very large and increasing proportion of Egyptian landowners is composed of peasant proprietors. In 1894, 78 per cent of the landowners were proprietors of small estates of less than 5 feddans in area; in 1902 the percentage had increased to over 85 and in 1904 to over 86.

(2) The proportion of the total area represented by petty holdings of 5 feddans and under is small but slowly increasing. In 1892, 19.8 per cent of the total area was owned by proprietors of 5 feddans and less; in 1902 the percentage was 22.7, and in 1904 it was 23.¹

(3) The proportions of the land mortgaged in the different classes of holdings vary directly with the size of the holdings. During both years

¹"Egypt" No. 1 (1905), p. 30.

referred to in the table the percentage of land mortgaged in the holdings of 50 feddans or over was approximately six times as large as the percentage in the holdings of 5 feddans and under.

(4) During the period 1894–1902 there was a large increase in the amount of land under mortgage, and the increase was greater among the peasant proprietors than among the proprietors of large estates.

It is among the peasant proprietors that the usurer carried on his business. Here he exacted his pound of flesh with the insatiable greed of a Shylock. He did not apparently succeed in doing business with a very large proportion of these peasant proprietors—at least not on the security of registered mortgages—but from those few with whom he did do business the consensus of opinion in Egypt is that he exacted terms which were both unreasonable and oppressive.

LAND CREDIT IN EGYPT.

The large landowner in Egypt is fairly well provided with facilities in the line of agricultural credit and has been for some time. In 1901 two land banks were doing business in Egypt. Between 1901 and 1906 the number increased to six. The share and debenture capital and surpluses of mortgage banks in Egypt increased from £7,263,000 in 1901 to £29,749,000 in 1905, their liabilities increased during the same period from £6,530,000 to £23,403,000, and their assets from £7,744,000 to £32,655,000.¹ The loans of the *Crédit Foncier Égyptien* alone amounted to £E14,781,167 during the period 1880–1902, representing 6,422 loans; by 1905 the total number of loans made by this institution since 1880 was 8,969, amounting to £E23,963,583.² All these institutions, however, with the exception of the Agricultural Bank of Egypt, have limited their operations to large advances to the more wealthy landowners. For example, of the 8,969 loans made by the *Crédit Foncier Égyptien* from 1880 to 1905, 3,594 were loans above £E1,000, and 474 were loans above £E10,000, while the average size of all the loans was £E2,672.³

GOVERNMENT ADVANCES TO AGRICULTURISTS.

In the year 1894 the Egyptian Government took the first step in the direction of providing agricultural credit facilities for the fellaheen by making advances of some 27,000 bushels of seed; in 1895 the amount was increased to nearly 44,000 bushels, and in 1896 it was increased to over 46,000 bushels. The seed advanced was, according to the Earl of Cromer, both better in quality and cheaper in price than that sold by the money lenders. The purchase money was made payable in three equal installments extending over the last quarter of the year.

¹ "Egypt" No. 1 (1906), p. 32.

² *Crédit Foncier Égyptien: Rapports du Conseil d'Administration et des Censeurs. Exercice 1905.*

³ *Crédit Foncier Égyptien: Rapports, etc., p. 24.*

In 1895 the Egyptian Government decided as an experimental measure to devote £10,000 to advances to the fellaheen. The maximum loan to any individual was fixed at £10; in no case, however, was the loan to exceed £2 per feddan of the land mortgaged.

It has been notified [said the Earl of Cromer at the time] that the Government has no intention of embarking upon banking operations on a large scale. They merely wish to make an experiment in a few selected districts. It will depend on the results of this experiment whether at some future time an endeavor is made to come to some arrangement with a private bank with a view to more extended operations. *It is impossible to feel very sanguine of success. All that can for the present be said is that the experiment seems worthy of trial.*¹

Incredible as it may seem, the Egyptian Government at first found difficulty in inducing the fellaheen to take advantage of the loans offered. It was not until the actual gold coin was taken in bags from village to village, and offered to the fellaheen directly that their suspicions were quieted and they were induced to avail themselves of the assistance proffered by the Government.²

The experiment was successful. Loans were made in eleven different villages in Lower Egypt. No advances were made to cultivators possessing more than 20 acres, and the rate of interest charged was one-half per cent a month or 6 per cent per annum.

Between February and July, 1896, persons owning in the aggregate 4,665 acres of land borrowed £E7,700. Of these 1,113 were cultivators of less than 5 acres. With the exception of £E20 the whole of the capital and interest was paid by the end of November.³

With reference to the experiment Mr. Chitty, the man who was in special charge of these operations, says:³

The experience gained has convinced me of the great benefit that an agricultural bank would be to the smaller cultivators. The experiment made this year has not only been a great boon to the villages where the advances were made, but has had the effect of making the money lenders in the neighborhood reduce their rates of interest considerably, and has opened the eyes of the fellaheen to the possibility of money being procured at more moderate rates.⁴

¹ "Egypt" No. 1 (1896), p. 9. The italics are mine.

² See description of "Maroor," p. 16, note.

³ "Egypt" No. 2 (1897), p. 5.

⁴ It is interesting to note in this connection that similar Government loans are at present being made in the Soudan, with like success. I quote the following from the Earl of Cromer's Report on the Soudan for 1905 ("Egypt" No. 1 (1906), p. 134): "Pending the establishment of a private agricultural bank in the Soudan, the Government advances small amounts of money to the cultivators at 7½ per cent interest. The loans are for the most part repayable in three years. Up to the end of 1905, advances to the extent of £E20,000 had been made, of which £E15,000 had been repaid. Governors of provinces are made responsible that these loans are actually expended on the purchase of cattle or agricultural implements, or on the construction of sakias. The money is not issued until they have satisfied themselves on this point."

THE CRÉDIT FONCIER ÉGYPTIEN REDUCES THE MINIMUM SIZE OF ITS ADVANCES.

The next move in the direction of offering improved agricultural credit facilities to the fellaheen was made in 1897, when the Crédit Foncier Égyptien was induced to lower the minimum size of its advances to £E100. When it is recalled that the great bulk of the advances desired by the fellaheen are inside of £E30, it will be seen that this action was really of little consequence, although considerable importance was attributed to it by many at the time. From 1880 to 1905 the number of loans made by the Crédit Foncier Égyptien in amounts less than £E100 was only 138, and the number in amounts of from £E100 to £E200 was but 1,204.¹

THE NATIONAL BANK OF EGYPT.

In June, 1898, the National Bank of Egypt was established.

One of the main reasons which induced the Government to assent to the creation of this bank was its desire to facilitate the extension of agricultural credit facilities among the fellaheen.²

The National Bank of Egypt soon after its establishment began operations on a small scale among the fellaheen of the Belbeis district in Lower Egypt.³ The debts of the Egyptian fellaheen are divisible into two distinct categories: (1) Those represented by small sums borrowed in the early part of the year and repayable in the fall after the sale of the cotton crop, and (2) loans of larger amounts running over a period of years. The bank's operations in the Belbeis district were to cover both classes of loans. Small advances in sums not over £E20, bearing interest at 9 per cent, were made in the spring, payable after the harvesting of the cotton crop in the fall, and larger advances in sums up to £E100, at the same rate of interest, repayable in five annual installments, were made to those wishing to pay off their old debts. Arrangements were made with the Government according to which the payments on the loans were collected by the tax collectors at the time of the collection of the land tax. By this arrangement the bank was saved the expense of hiring a large force of collectors. Of the 9 per cent interest collected 1½ per cent was to go to the local agents of the bank, and one-half of 1 per cent to the tax collectors.

During the spring and early summer of 1899, 1,580 advances, amounting in all to £E4,780, repayable in the fall, were made by the bank. "The result," said Sir Elwin Palmer, the governor of the bank, "was thoroughly satisfactory; the whole of the money due in the year was collected by the Government tax collectors."³ The bank made other

¹ Crédit Foncier Égyptien: Rapports, etc., p. 24.

² "Egypt" No. I (1900), pp. 4, 5.

³ "Egypt" No. 1 (1900), p. 5; Phil. Agric. Bank Rep., p. 45.

loans in the Belbeis district to borrowers of the second class. These loans, 870 in number, aggregating £E26,720, and repayable in five annual installments, were made to persons already in debt, "who were thus enabled to effect a commutation of their debts on favorable terms." ¹

In 1899 the bank consented to extend its operations to three more districts. In 1900 the field of operations was extended to ten districts and later to the whole of Lower Egypt.

Of the 9,500 advances made in 1900, aggregating £E137,781, 6,213, amounting to £E36,216, were small loans repayable within one year, and the remaining 3,287, amounting to £E101,565, were for larger amounts repayable in five annual installments. The amount that fell due in 1900 was £E28,122, due from no less than 5,035 borrowers. "It is with very special pleasure," said the Earl of Cromer, "that I am able to record that the whole of this sum was recovered." ²

By February, 1902, the bank's outstanding loans to the fellaheen numbered 15,269, of which 3,326 were for small sums repayable within the year and 11,943 for longer sums repayable in five annual installments. The amounts of these loans aggregated £E402,000. "These figures clearly show," said the Earl of Cromer, "that the main object of the scheme has been attained—assistance has been given to small proprietors." ³

THE AGRICULTURAL BANK OF EGYPT.

By the year 1902 the agricultural credit operations of the National Bank of Egypt had grown to such proportions as to absorb an undue amount of the bank's capital, and to have become unwieldy for an institution doing a general banking business. The class of operations, moreover, involved in making these agricultural loans "fell more properly within the functions of a land bank than within those of an ordinary bank." ⁴ Accordingly an agricultural bank, under the name of the Agricultural Bank of Egypt, was established on June 1, 1902, with an authorized capital of £2,500,000, of which £1,250,000 had already been paid up. All agricultural loans of the National Bank of Egypt were transferred to the new institution.

The Preliminary Act of Association declared the object of the bank to be "to make advances to small farmers." ⁵ Two classes of small loans were authorized ⁶ in accordance with the plan previously followed by the National Bank of Egypt. The first class, known as "A" loans, was to

¹ "Egypt" No. 1 (1900), p. 5; Phil. Agric. Bank Rep., p. 45.

² "Egypt" No. 1 (1901), p. 7; Phil. Agric. Bank Rep., p. 48.

³ "Egypt" No. 1 (1902), p. 8; Phil. Agric. Bank Rep., p. 50.

⁴ "Egypt" No. 1 (1903), p. 16; Phil. Agric. Bank Rep., p. 50.

⁵ Phil. Agric. Bank Rep., p. 54.

⁶ For full details concerning the bank's organization and plan of operations see the bank's revised statutes submitted as Exhibit A of this report, pp. 35-46.

consist in loans varying in size from £1½ to £20 and not exceeding as a rule twice the annual land tax which the landowner should pay to the Government. The loans were to be payable with interest in one sum the following crop season, but if made only two or three months before that season were not to be repayable until the following year. The maximum period for which these loans were to be granted was fixed at fifteen months. The second class of loans, known as "B" loans, varied in amount from £10 to £300,¹ and were not to exceed as a rule ten times the tax which the landowner should pay to the Government. These loans were made repayable in annuities covering principal and interest. They were to be secured by first mortgages on land worth at least double the amount of the advance, and to run for a period not exceeding twenty and one-half years. The maximum period was originally fixed at five years, but was subsequently extended to ten and one-half years and later to twenty and one-half years.²

The rate of interest was fixed at 9 per cent per annum.³ Collections of both principal and interest were to be made, as before, by the village sarrafs, or tax collectors, at the time of the collection of the land tax. It was provided that the sarrafs should receive one-half of 1 per cent on all sums collected. Article IV of the bank's revised statutes declares that the bank will pay the ministry of finance the expenses of the staff specially employed in the service of the loans. The duration of the bank was fixed at fifty years.

The National Bank of Egypt became one of the largest stockholders of the Agricultural Bank at the time of the latter's establishment, and the work of transacting the financial operations of the Agricultural Bank of Egypt was entrusted to it. The Government's concession to the Agricultural Bank declared that—

It shall be administered by a board composed of the governor of the National Bank of Egypt, as president, and of five members, two of whom shall be chosen from amongst the members of the board of directors of the National Bank of Egypt, and controlled by the commissaries of the Government of said bank.⁴

The most important provision of the Government's concession to the bank related to its guaranty of dividends on the stocks of the bank. That

¹ The maximum size of "B" loans was later raised to £500.

² The maximum period for the repayment of loans made by the *Crédit Foncier Égyptien* is fifty years. Similarly long periods are the rule among the land banks of Europe and Australia. See *Phil. Agric. Bank. Rep.*, pp. 89, 106, 151, 152, 153, 154.

³ In May, 1905, the Egyptian Government sanctioned an increase in the share capital, on condition that from the beginning of the year succeeding that at the end of which the loans outstanding should have reached ££7,000,000 the maximum rate of interest charged to the fellahen should be reduced to 8 per cent for both old and new loans. This figure was reached early in 1906. The rate of interest will accordingly be reduced to 8 per cent beginning with next year. See report of the directors for the year 1905, Exhibit B, p. 60.

⁴ See Exhibit A, p. 46.

part of the Government's concessions which deals with the guaranty is of sufficient importance to quote in full: It is as follows: ¹

The receipts shall comprise—

(a) The interest actually received every year.

(b) The amount of the loans due or installments due for the preceding years and actually received in the course of the year, subject to what is stipulated in the last paragraph of Article II.

From the receipts above mentioned there must be deducted—

(a) All the expenses of the company.

(b) The amount of all loans due or installments due on these loans, and not received in the course of the year.

The difference will constitute the net profits.

Out of these net profits there shall be taken successively and in the following order—

(1) The interest on the bonds.

(2) Five per cent of the interest actually received every year for the reserve fund.

The sums carried to the reserve fund shall be invested in securities approved of by the Government. The interest arising from these investments shall be added to the resources of the reserve fund.

From the remaining profits there shall, first of all, be taken the interest to be paid to the preferred shares, if any; and then 5 per cent of the said profits for the National Bank of Egypt, by way of agreed remuneration for transacting the financial operations of the Agricultural Bank of Egypt, and the necessary sum to pay 5 per cent interest to the holders of ordinary shares upon the amount paid up thereon.

The balance shall be distributed as follows:

Fifty per cent to the ordinary shares.

Fifty per cent to the deferred shares.

ARTICLE II.

Whenever, for any year during the fifty years of the duration of the company, the interest received in the year and the sums received upon the loans due or installments due and not received for the preceding years do not reach the necessary sum—

(1) To cover all the expenses of the year and the amount of the loans or of the installments due and not actually received in the year;

(2) To leave a net profit representing 3 per cent of the capital invested in loans to the fellahs—

The additional sum for the above purposes shall be taken out of the reserve fund, and in the event of the said fund being insufficient the Government will pay to the company, by way of subvention, at latest on the 15th February in each year, the balance of the sum necessary for the above purposes.

In this latter case the loans or installments due and not received in the year which are collected in the following years shall be paid over to the Government, up to the amount of the subvention paid by it to the company.

Now that we have sketched the reasons leading to the establishment of the Agricultural Bank of Egypt, and briefly explained its organization and plan of operations, it will be well to inquire into the question of results. How has it worked? Has it been a benefit to the fellah and

¹ See Exhibit A, p. 43.

released him to any extent from the clutches of the usurer, or has it pauperized him and led him to plunge still more deeply into debt? Has it proven to be a profitable enterprise and yielded a fair return to the stockholders, or have bad debts been so numerous or the expenses of administration so great as to have made the enterprise a financial failure? Has it been a boon to the Government by rendering the fellaheen more contented and prosperous, or has it brought reproach upon the Government by its unreasonable exactions and by the extensive foreclosing of mortgages? Has it interfered with the efficient performance of the regular duties of tax collectors? Has it been a drain upon Government revenues by reason of demands for the payment of the Government's interest guaranty? These are questions that require honest answers before one can pass an intelligent opinion as to the success of this enterprise. We will consider them under the following general heads: (1) The bank and the fellaheen; (2) the bank and the stockholders; (3) the bank and the Government.

At this point attention should be drawn to two facts which ought to be kept continually in mind in qualification of the discussion which follows concerning the bank's success. These facts are (1) the Agricultural Bank of Egypt as a distinct institution has only been in operation since June 1, 1902, a period of four years, and (2) these four years have been years of unprecedented prosperity for Egypt. In view of these considerations, the Earl of Cromer himself, who is responsible for the inception of the bank, and who takes a just pride in the bank's success, said to the writer, as recently as March 23 of the present year, that he did not believe the bank was yet entirely out of the experimental stage.

THE BANK AND THE FELLAHEEN.

The Agricultural Bank of Egypt was in its inception an institution established for the purpose of continuing the work previously carried on by the National Bank of Egypt in the line of rendering financial aid to the Egyptian fellaheen. It was established by Government initiative with the object of assisting the fellaheen to free themselves from the clutches of the usurer and to profitably cultivate their farms. By its results in this direction its success must primarily be judged.

NUMBER AND SIZE OF LOANS.

The extent to which the bank has reached the fellaheen will be seen from the following table showing the number and size of the bank's outstanding loans on certain dates: ¹

¹ "The total number of male Egyptians over 10 years of age engaged in agriculture on June 1, 1897, the date of the last census returns, was 2,049,258." (Statesman's Year Book, 1904, p. 1229.)

Loans of the Agricultural Bank of Egypt outstanding on certain dates.

Date.	"A" loans.						"B" loans.	
	Number of loans.				Amounts.		Number of loans.	
	Of £E1 and under.	Of over £E1 to £E5.	Of over £E5 to £E20.	Total number.	Total amount.	Average amount.	Of over £E20 to £E50.	Of over £E50 to £E100.
Dec. 31, 1903 ^a -----	759	5,963	6,434	13,156	£E. 104,684	£E. 7.96	53,481	7,928
Dec. 31, 1904 ^b -----	1,060	6,776	9,662	17,498	149,032	8.52	96,234	13,207
Dec. 31, 1905 ^c -----				21,829	194,671	8.92		

Date.	"B" loans.					All loans.		
	Number of loans.			Amounts.		Num-ber.	Amounts.	
	Of over £E100 to £E150.	Of over £E150 to £E500.	Total num-ber.	Total amount.	Average amount.		Total amount.	Average amount.
Dec. 31, 1902 ^d -----				£E.	£E.		£E.	£E.
Dec. 31, 1903 -----	2,359	1,987	65,755	2,091,157	31.80	46,572	1,208,200	25.94
Dec. 31, 1904 -----	3,934	3,334	116,709	3,787,209	32.45	78,911	2,195,841	27.82
Dec. 31, 1905 -----			163,701	5,571,001	34.03	134,207	3,936,242	29.33
Mar. 31, 1906 ^e -----						185,530	5,765,672	31.08
							7,033,486	

^a Report of the directors, submitted February 23, 1904. See Exhibit B, Schedule I.

^b Report of the directors, submitted February 20, 1905. See Exhibit B, Schedule II.

^c Report of the directors, submitted February 28, 1906. See Exhibit B, Schedule III.

The report for 1905 does not give the figures showing the number of loans of different sizes outstanding December 31, as was the custom in previous reports, but gives instead the figures for the loans put out during the year. They were as follows:

"A" LOANS.	
Loans under £E1 -----	1,861
Loans above £E1 to £E5 -----	19,217
Loans above £E5 to £E20 -----	26,863
Total "A" loans -----	47,941

"B" LOANS.	
Loans from £E10 to £E50 -----	45,267
Loans above £E50 to £E100 -----	7,478
Loans above £E100 to £E150 -----	2,596
Loans above £E150 to £E500 -----	3,081
Total "B" loans -----	58,422
Total loans during 1905 -----	106,363

The average size of the "A" loans made during the year was £E8.40 and the average size of the "B" loans was £E42.10.

^d "Egypt" No. 1 (1903), p. 16.

Detailed figures are not available for this date. The first report of the directors covers the period June 1, 1902, the date of the bank's establishment, to December 31, 1903. Concerning the bank's operations for the year 1902 the Earl of Cromer says (same, p. 16): "During 1902, 34,532 loans, repayable in fifteen months, and amounting in the aggregate to £E202,942, were made. Of these, 19,785 were for sums less than £E5; 7,807 were for sums between £E5 and £E10; 6,940 were for sums between £E10 and £E20.

"The number of loans repayable in five annual installments was 20,341, representing in the aggregate a sum of £E748,878. Of these, 8,513 were for sums below £E20. Most of the others were for sums less than £E100. The maximum amount of any one loan was £E300.

^e Figure for total loans outstanding March 31, 1906, furnished by bank's manager.

The table seems to justify the following conclusions:

(1) The Agricultural Bank has had a phenomenal growth since its organization as an independent institution, and considering its short history, is reaching a surprisingly large number of the Egyptian fellaheen. Its outstanding loans have increased during the period December 31, 1902, to March 31, 1906, from £E1,208,200 to £E7,033,486, an increase of 482 per cent in three years and a quarter; and the number of its loans having increased during the period December 31, 1902, to December 31, 1905, from 46,572 to 185,530, an increase of 298 per cent in three years.¹

(2) The great bulk of the bank's business, whether judged by the number of borrowers or by the amount borrowed, consists of "B" loans—that is, loans varying in size from £E10 to £E500, and running for periods not exceeding twenty and a half years.

(3) The number of "B" loans is increasing at a much more rapid rate than the number of "A" loans, the increase in the "A" loans during the three years ending December 31, 1905, being 66 per cent, and the increase in "B" loans being 149 per cent.

(4) The average size of the loans of both classes is steadily increasing, the average size of the "A" loans having increased during the three years from £E7.96 to £E8.92, and the average size of the "B" loans from £E31.80 to £E34.03.

REASONS FOR BORROWING.

The figures just cited show that large numbers of the Egyptian fellaheen have been taking advantage of the opportunities for land credit offered by the bank. It is important to know something of the objects for which loans have been obtained. Have the funds borrowed been used wisely for the paying off of onerous debts, for improving the farms, purchasing farm materials and implements, cultivating the soil, harvesting the crops, etc., or have they been employed unwisely for personal luxuries? Unfortunately no statistics are available showing the purposes for which funds have been borrowed and the uses to which they have been put. Replies received to inquiries made on this subject in Egypt, of

¹ The bank's rapid growth in its early days is accountable in no small degree to an institution known as the "Maroor." The Maroor is described as follows by one of the bank's officials: "When the bank was first instituted it was necessary to familiarize the fellaheen with its object and scope. Owing to the fact that the vast majority of the class from which the bank's clients are drawn can neither read nor write, ordinary methods of advertisement were of no use. It was therefore necessary to use others, and the best was found to be what has come to be called for short "Maroor." That is, the agent, taking a clerk with him, visits personally each village in his district. He calls at the omdeh's house [the omdeh is the headman of the village, see page 29] and asks him to call a meeting of the landed proprietors of the village, and when they have gathered together, the agent through his clerk expounds the bank and its works."

officials of the bank and other persons familiar with its working, would seem to justify the following conclusions:

(1) Money is generally borrowed for a combination of purposes, the sums obtained frequently being used in part for the purchase of seed, or for the cultivation of the soil, the harvesting and marketing of the crops, or other running expenses in connection with the working of the farm, in part for the paying of old debts, in part for the purchasing of more land, and in part to pay ordinary household expenses during the period of the cultivation and harvesting of the crops, and before the proceeds thereon are realized. The proceeds of comparatively few loans appear to be expended solely on one object.

(2) The two most important single objects for which money borrowed from the bank is expended appear to be (a) the purchase of land and (b) the paying off of old debts bearing excessive rates of interest.

(a) One very important reason which leads the fellah to borrow money for the purchase of land is found in his desire to provide for the welfare of his children. According to the system of inheritance prevailing in Egypt the estate of the parent is divided among all the children, the boys receiving equal shares, and the girls each receiving one-half of a boy's share. This system naturally results in the breaking up of the land into a great many small holdings. Agriculture is the only form of economic activity with which the average fellah is familiar. His homestead has for him a very high sentimental value. His religion prohibits him from putting money out at interest. "Land is the Egyptian's stocking." As a result of these conditions, if the fellah is to give his children as good a start in life as he himself had, his only course is frequently the purchase of more land. The recent prosperity of Egypt and the opening of large new tracts of land by reason of improvements in the system of irrigation have given further impetus to land purchases, and, in consequence, the desire to purchase land has been a very important motive among the fellaheen for the borrowing of money from the Agricultural Bank.

(b) In the early days of the agricultural loan operations of the Government and of the National Bank of Egypt, the great bulk of the advances made were for the purpose of enabling the fellaheen to pay off debts bearing usurious rates of interest. This motive is probably still the principal one for which the fellaheen seek loans, although it is naturally one of decreasing importance; for debts bearing exorbitant rates of interest are rapidly being paid off and the usurer is being forced into the background. There is no question but that usury has greatly declined in Egypt since the establishment of the Agricultural Bank. Mr. Rowlatt, governor of the National Bank of Egypt, and Mr. Scott-Dalglish, manager of the Agricultural Bank of Egypt, agree in the opinion

that the operations of the Agricultural Bank have resulted in reducing the rate of interest on small loans in cities by something like 3 per cent, and on agricultural loans to the fellaheen by at least 5 to 6 per cent.¹

ARE THE FELLAHEEN GETTING OUT OF DEBT?

Do the facts that the rate of interest is being lowered, and that the fellaheen are now able to obtain money on reasonable terms mean that they are getting out of debt? Very early in the development of the present system of making advances to the fellaheen the Earl of Cromer took the position that the success or failure of the project would depend largely upon the question of "whether the majority of the cultivating classes, having once been relieved from any very onerous debts which they may have contracted, will or will not use the comparative financial freedom thus acquired to plunge again into operations from which it will be extremely difficult, if not altogether impossible, to extricate them."² In the absence of information concerning the extent and terms of the nonregistered indebtedness of the fellaheen, this question can not be answered with any degree of certainty. Moreover opinions in Egypt concerning the subject are somewhat contradictory. In 1900 the Earl of Cromer said, referring to this question:

It would be premature at present to express any confident opinion on this point. Such little evidence as is forthcoming, however, rather points to the conclusion that it is erroneous to suppose that the Egyptian fellah will almost invariably incur debt up to the maximum amount of his credit. I do not doubt that a certain number of cultivators, after having commuted debts on which they are perhaps paying interest at the rate of 40 per cent, or even more, into one on which they will pay 10 per cent, will use the margin of income thus rendered available in order to contract further debt; but I contend that the present scheme may be considered a success if the number of individuals who adopt this ruinous procedure constitute the exceptions rather than the rule.²

In 1901 the late Sir Elwin Palmer, at that time governor of the National Bank of Egypt, wrote:

There is nothing to indicate that the fellaheen, once relieved of their onerous

¹ The late Sir Elwin Palmer said in 1901 concerning the agricultural credit operations of the National Bank of Egypt, of which he was at that time governor: "The fact that the bank is prepared to advance small sums at a fair rate of interest has, in the districts where the bank is working, caused a fall in the rate usually charged by money lenders, and the fellaheen have indirectly benefited in this way, too. In one district the largest money lender left when the bank began operations; in another the bank was regularly boycotted, and it was impossible to find an agent amongst the people of the district of any standing, they being nearly all money lenders themselves. An outsider had, therefore, to be appointed; he had great difficulties at first, but the people of the district now begin to realize the advantages, and are dealing with the bank. ("Egypt" No. 1 (1901), p. 8; Phil. Agric. Bank Rep., p. 48.)

² "Egypt" No. 1 (1900), pp. 5, 6; Phil. Agric. Bank Rep., p. 46.

debt to the money lenders, are inclined to plunge again into debt, beyond the debt to the bank; indeed, the facility with which the recovery of the loans or installments has been effected would seem to show that this is not the case.¹

Writing on this subject in 1902, the Earl of Cromer said:

Up to the present time the number of those who have used their improved credit in order to incur fresh debt has, to the best of my belief, been very small.²

In 1903 he declared:

Time must be allowed before any confident statement can be made on this subject. So far the reports which I have received on this branch of the question are satisfactory. As I have frequently stated before, the fellaheen are generally much less improvident than used to be imagined.³

The Earl of Cromer expressed a similar opinion with reference to this subject in conversation with the writer in March of the present year, qualifying it, however, with a statement to the effect that he did not believe that the bank could yet be considered entirely out of the experimental stage in this respect.

Testimony of a different character, however, as previously stated, is not wanting. The manager of a large banking institution in Cairo who has been watching with interest the progress of the work of the Agricultural Bank of Egypt informed me that there was considerable evidence that the fellaheen were using the credit obtained from the Agricultural Bank as a means of further extending their loans with the usurer, and were frequently borrowing from the bank in order to meet payments due to the usurer. To what extent such practices existed he was unable to say. One of the district agents who has been in the employ of the bank for about three years, and whose duties have brought him into close touch with the fellaheen, expressed an opinion to the following effect: There is no question but that the fellah supplements his loans from the bank largely by loans from the usurer. The fact, however, that the bank holds a first mortgage on his property prevents him from going very deeply into debt to the usurer. The fellah often pays for some time his regular installments to the bank, and then, long before the time arrives for the final liquidation of his debt to the bank, increases the amount of his loan to the maximum, and with the proceeds reduces or pays off his debt to the usurer. It is an unfortunate feature of a bank of this type that it does not encourage people to get out of debt, as do the coöperative banks of Europe. Loans made by the bank to the fellaheen have a tendency to become permanent working credits for the financing of small farms. If only the merits of the coöperative system could be combined with those of the Agricultural Bank of Egypt much would be accomplished. The

¹ "Egypt" No. 1 (1901), p. 8; Phil. Agric. Bank Rep., p. 49.

² "Egypt" No. 1 (1902), p. 8; Phil. Agric. Bank Rep., p. 50.

³ "Egypt" No. 1 (1903), p. 17; Phil. Agric. Bank Rep., p. 51.

opinion of the district agent just referred to seems to be supported by the figures given in the table on page 7, which give evidence of a decided increase of mortgage indebtedness among the fellaheen between the years 1894 and 1902.

In view of the apparently conflicting testimony on this subject from persons in Egypt, thoroughly conversant with the bank's affairs, an outsider would be presumptive to express a very positive opinion. If I venture to make a guess on the subject, however—and it is only a guess—I would say that the fellaheen are probably not getting out of debt by reason of the facilities offered by the Agricultural Bank, that in fact their total indebtedness is probably increasing, and that a large proportion of those who do borrow are borrowing from the bank and from other sources practically up to the limit of their credit; that, on the other hand, the bank has to a large extent taken the place of the usurer as a source for borrowing, that the fellah is more independent of the usurer than he formerly was, and that the terms he obtains from him, considering the security offered, are much more favorable than they were a few years ago. It may not, moreover, be an entirely unmixed evil, if the fellaheen do use the Agricultural Bank as a means of providing permanent working credits for the financing of their farm operations, provided only that the funds borrowed are wisely used. It should be remembered that the great bulk of the world's industrial and commercial enterprises are financed by money borrowed on the security of pledges of plant, raw material, or finished product.

Thanks to the excellent work of the British Government in Egypt, the fellah is now assured of the peaceful possession of his property, there is a real incentive for the exercise of his natural thrift, and it is probable that, although he may borrow excessively, the money he borrows will be expended more wisely than heretofore.

THE BANK AND THE STOCKHOLDERS.

THE BANK ESTABLISHED ON A STRICTLY COMMERCIAL BASIS.

Although the activities of the Egyptian Government which led to the establishment of the Agricultural Bank of Egypt were actuated entirely by the desire to improve the condition of the fellaheen, it was never intended that the bank should be a philanthropical enterprise. The Earl of Cromer in his annual report¹ covering the year 1899 said with reference to the agricultural credit operations of the National Bank of Egypt:

It was felt * * * that no permanent success could be obtained unless the philanthropic considerations which cluster round the treatment of this subject were so far discarded as to place the matter on a sound commercial basis, and thus insure to the bank an adequate remuneration for their capital outlay.

¹ "Egypt" No. 1 (1900), p. 5; Phil. Agric. Bank Rep., p. 45.

In his annual report ¹ covering the year 1902 the Earl of Cromer referred to two ² important reasons why the Egyptian system had "attained a certain measure of success," the first of which was—

That, although the action of the Government has been so far philanthropic that they have wished to benefit a large and important class of the community, the undertaking has in no degree been established on a philanthropic basis. On the contrary, the basis has been strictly commercial. There was, in the first instance, some very natural difficulty in convincing capitalists that the business would be fairly lucrative; but when, by applying the test of actual experiment, this difficulty was overcome, the main obstacle to success was removed.

THE BANK'S FINANCIAL CONDITION.

A detailed account of the bank's financial condition at the end of each year since its establishment will be found in the three annual reports of the directors, submitted as an appendix of this report.

The following tabulation of the bank's "net profits" ³ will give, in a brief way, some idea of the bank's success as a financial enterprise:

*Distribution of the net profits of the Agricultural Bank of Egypt.**

Period.	Net profits.			Interest on bonds.		Carried to reserve fund.		Dividends on preferred shares.					
								Rate.	Amount.				
June 1, 1902, to Dec. 31, 1903	£	s.	d.	£	s.	d.	£	s.	d.	Per ct.	£	s.	d.
Jan. 1, 1903, to Dec. 31, 1904	79,915	18	3	-----	-----	-----	7,729	3	0	4	2,435	7	9
Jan. 1, 1905, to Dec. 31, 1905	157,859	9	11	27,795	10	7	12,916	8	10	4	24,596	3	7
	302,285	14	5	96,202	11	0	25,790	4	6	4	46,128	10	11

Period.	Remuneration to the National Bank of Egypt.			Dividends on ordinary shares.		Dividends on deferred or founders' shares.		Amount carried forward.			
				Rate.	Amount.	Rate.	Amount.				
June 1, 1902, to Dec. 31, 1903	£	s.	d.	Per ct.	£	s.	d.	Per ct.	£	s.	d.
Jan. 1, 1903, to Dec. 31, 1904	3,609	6	8	4	65,953	15	0	-----	188	6	3
Jan. 1, 1905, to Dec. 31, 1905	5,866	15	10	6	74,400	0	0	6.3	12,300	0	0
	9,023	5	10	7.5	98,000	0	0	15.15	31,500	0	0
									813	19	5

* Figures taken from the first, second, and third reports of the directors on the working of the Bank. (See Exhibit B, Schedules, I, II, and III.)

When it is recalled that the bank's statutes require that all loans and installments due and unpaid at the end of each year shall be deducted from the gross receipts for the year, in computing the net earnings, so

¹ "Egypt" No. 1 (1903), p. 16; Phil. Agric. Bank Rep., p. 51.

² The second reason was that the supervision of the bank's British agents had been "capable, vigilant, and honest." See p. 86.

³ For definition of term "net profits" as contemplated by bank's statutes, and for the statutory regulations for their distribution, see Exhibit A, pages 43, 44.

that the bank's reserve is not offset by a lot of bad debts, it will be seen that from the stockholders' point of view the bank has so far proven a remarkable success.

THE BANK'S FINANCIAL STANDING.

The financial standing of a concern of this type consists in its reputation for stability in the business world, and for present and prospective earning capacity; its financial standing is reflected in the market prices of its securities.

Inquiries made in Egypt of men prominent in financial affairs concerning the bank's local standing, invariably elicited the reply that its credit was excellent, and that no one questioned for a moment its stability or its success. The present management enjoys an enviable reputation for ability and for conservatism.

The market prices of the bank's stocks and debentures for each quarter since they have been quoted in the London market are given in the following table. It will be recalled that the par value of the common stock is £100, and that of the $3\frac{1}{2}$ per cent cumulative preferred is £5, and that of the 4 per cent debentures is £100.

Market prices of stocks and debentures of the Agricultural Bank of Egypt.^a

Date, quarter ending—	Common stock.		4 per cent cumulative preferred stock.		3½ per cent bonds.	
	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.
	£	£	£	£	£	£
Dec. 31, 1903.....	7½	7				
Mar. 31, 1904.....	7½	7				
June 30, 1904.....	8½	7½				
Sept. 30, 1904.....	10½	8½				
Dec. 31, 1904.....	11½	8½				
Mar. 31, 1905.....	12½	9½	10½	9½	94	93
June 30, 1905.....	14	12½	10½	10	96½	93½
Sept. 30, 1905.....	14½	9½	10½	9½	96½	93½
Dec. 31, 1905.....	10	8½	10½	8½	95	92½
Mar. 31, 1906.....	10½	9½	10½	8½	95	93
May 31, 1906 ^b	10½	9½	10½	10	95	93

^a Figures taken from The Investor's Monthly Manual.

^b Two months ending May 31, 1906.

At the end of March, 1906, the deferred shares, whose par value is £5, were valued at about £950. The table tells its own story and does not appear to call for comment.

BAD DEBTS.

One of the first and most serious objections always brought to any scheme for the extension of land credit among small farmers is that of the risk of loss through the failure of borrowers to repay their loans. The Crédit Foncier Égyptien had experienced considerable difficulty in collecting its annuities prior to the time of the establishment of the Agricultural Bank of Egypt, and it was argued by many that this difficulty

would be fatal to the success of any scheme for the extension of land credit among the fellaheen. It would be natural to expect to meet greater difficulties in making collections from petty farmers than from the owners of large estates. Inasmuch as this danger appeared to be a real one, the bank's regulations with reference to the investigation of titles, the preparation of mortgages, the making of advances, and the collection of annuities were most carefully made. Safeguards were thrown about every step in the negotiation of a loan in order to prevent loss by mistake or, perhaps more important, by fraud; for the fellaheen, who are for the most part Mohammedans, have not a very high sense of honesty in dealing with "nonbelieving" Christians, and are liable to think the defrauding of a Christian is cute rather than immoral.

Thanks to the bank's efficient management and to the rigid terms of the loan contract, lapses in the payment of obligations have been surprisingly few. In the sketch previously given of the agricultural credit experiments of the Egyptian Government and of the National Bank of Egypt—experiments which finally led to the establishment of the Agricultural Bank of Egypt in June, 1902—figures were cited showing the bad debts met with during the years covered by those experiments.¹ They showed that bad debts during those years were found to be almost negligible quantities. The following extracts from the reports of the Earl of Cromer and from the reports of the directors of the Agricultural Bank will show that that bank has had a similar experience since its establishment:

1902.

During 1902, £E305,500 had to be recovered from 35,884 borrowers. Of this amount, all but £E2,360 was actually paid. There is every reason to believe that the balance due at the end of the year will shortly be recovered.^{2 3}

1904.

The arrears in capital and interest for the year 1904 amounted to £E27,718, or about 3 per cent of the amount that was due for collection. By the end of January about a third of these arrears had already been recovered.⁴

1905.

Toward the close of last year the collections on account of interest and sinking fund were made with some difficulty in the Province of Behera and in the northern portions of Gharbieh and Dakahlieh. The difficulty arose owing to the lateness of the cotton crop.⁵

¹ Pages 10, 11.

² "Egypt" No. 1 (1903), p. 16; Phil. Agric. Bank Rep., p. 51.

³ I have been unable to obtain the figures for the year 1903. The figures for overdue interest for that year as given in the 1903 balance sheet show the amount to have been small. (Exhibit B, p. 52.)

⁴ "Egypt" No. 1 (1905), p. 29.

⁵ "Egypt" No. 1 (1906), p. 35.

At the end of 1905 the overdue loans for the year amounted to £68,400, and the overdue interest to £28,660.¹

Of this total of £97,060 overdue obligations on December 31, 1905, £70,000 had been collected prior to March 31, 1906.

On March 29, 1906, Mr. Scott-Dalglish, the bank's manager, stated, in conversation with the writer, that not a single loan had been made since the bank's organization that the management believes to be irrecoverable.²

This opinion, if justified—and I see no reason for doubting it—certainly represents a most remarkable record for a bank whose loans have altogether amounted to upward of \$50,000,000, covering advances to hundreds of thousands of agriculturists, the average amount of which has probably been less than \$150.³

Delinquencies in the meeting of the obligations due the bank are treated as follows: After the tax collector has reported certain borrowers delinquent in meeting their payment, a clerk is sent out from the local office of the bank to attempt to make the collections. The tax collectors are allowed to receive payments during the month following that in which they are due; after that all collections must be made by the agencies. When the lists are closed, the names of the delinquents in each section are sent to the bank's legal department, and a "leter de menace" is then sent to each delinquent notifying him that unless payment is made within a certain number of days (usually seven or eight) the bank will be compelled to take the necessary legal measures for the collection of the account. These letters usually lead to the settlement of from 60 to 70 per cent of the accounts still delinquent. The balances still unpaid are then turned over to a special department of the bank having such matters in charge, and one of the bank's English traveling agents calls on each person still delinquent, and investigates the case. If he finds that the borrower's failure to pay is caused by sickness, poor crops, or other cause not the fault of the fellah, he recommends that the payment be deferred or that the interest be required to be paid and the installment of the principal be deferred, and so on, according to the merits of the case; if, on the other hand, he finds that the borrower's failure to pay is due to negligence or to simple unwillingness to meet his obligation, he recommends that the mortgage be foreclosed. The bank generally follows the advice of its agent in such matters. The manager informs me that from the time of the bank's establishment in June, 1902, there have

¹ Report of the directors for the year 1905. (Exhibit B, p. 56.)

² Mr. Scott-Dalglish says that the bank has in its books one small loan which it will probably not collect from the borrower himself but whose payment has been guaranteed by a certain local government official who is responsible for the bank's having been misinformed concerning the character of the security offered by the borrower.

³ See table, p. 15.

been 350 cases in which foreclosure proceedings have been started, but that in all these cases except four the proceedings were abandoned before being completed, on account of settlements having been made.

COMPETITION.

In speaking of the bank as a financial enterprise, the fact should be noted that the bank is beginning to experience considerable competition from other land credit institutions. The recent remarkable growth of such institutions in Egypt has already been referred to.¹ The operations of the Agricultural Bank of Egypt have freed considerable private capital formerly tied up in mortgage loans. These facts, together with the increased land values,² greater security of property, and the growing confidence in the safety of carefully placed mortgage loans have resulted in material reductions in the rates of interest borne by mortgage loans. While the Agricultural Bank of Egypt has a practical monopoly on small agricultural loans, and while other institutions can not be expected to compete with it for such loans on account of the large and expensive force of employees that would be required,³ it is meeting considerable competition for larger-sized loans—loans, say, from £200 to £500. Under present conditions in Egypt an interest rate of 9 per cent is high for well-secured loans above £200, and it is a matter of common report in Cairo that other institutions are underbidding the Agricultural Bank for its larger-sized loans and in some cases taking away its customers. It remains to be seen what effect the bank's anticipated reduction in the rate of interest to 8 per cent next year⁴ will have upon this competition.

THE BANK AND THE GOVERNMENT.

The subject of the bank's relations to the Government requires but few words, and those relate principally to the Government's 3 per cent interest guaranty.⁵

THE GOVERNMENT'S GUARANTY.

An institution with a record of such progress during the first three years and a half of its history, it should be evident, is not liable to call upon the Government to make good an interest guaranty of 3 per cent. The Earl of Cromer said in his report for 1903:

It is in the highest degree improbable that any occasion will arise for calling on the Government to make good a deficit.⁶

¹ Page 8.

² See on this subject London Times' Financial and Commercial Supplement for January 1, 1906, and Economist, February 17, 1906, p. 267.

³ The work of collecting annuities in the case of the Agricultural Bank of Egypt, it will be recalled, is performed by Government tax collectors. (See pp. 12, 28.)

⁴ See p. 12, note.

⁵ See p. 13.

⁶ Phil. Agric. Bank Rep., p. 51.

This opinion he reaffirmed in a personal conversation with the writer in March, 1906. It is concurred in by the officials of the bank and, as far as I could learn, by the financial public. During a two weeks' investigation in Cairo, during which I interviewed many of the more prominent Government officials and business men of that city, I failed to find a single person who believed that the Egyptian Government would ever be called upon to make good its guaranty.

It must not be inferred from what has been said that the Government's interest guaranty has not been of great value to the bank. Without it, in fact, it is improbable that the bank would have been established for many years to come, it at all. The guaranty, moreover, has been an important factor in the establishment of the bank's credit, and has enabled it to borrow funds at lower rates than would otherwise have been possible. Mr. F. T. Rowlatt, governor of the National Bank of Egypt, and Mr. G. Scott-Dalgleish, manager of the Agricultural Bank of Egypt, while concurring in the Earl of Cromer's opinion that there is little likelihood of the Government ever being called upon to make good its guaranty, both declare that the guaranty decidedly improves the bank's credit and enables it to borrow on better terms than would otherwise be possible. They believe that the guaranty makes a difference of at least 6 per cent in the prices realizable upon debentures floated in the London and Paris markets.

MISCELLANEOUS.

The relations existing between the officials of the bank and those of the Egyptian Government have, as far as I have been able to learn, always been the most cordial. A helpful spirit of coöperation seems to exist between both classes of officials.

There is no evidence that the work of collecting the bank's annuities interferes with the regular official duties of the Government tax collectors.

The bank's services to the fellaheen in assisting them in the development of Egypt's wonderful agricultural resources of course indirectly redound to the benefit of the Government by reason of the greater prosperity and contentment of the people, and of the consequent increase of the Government's revenues.

FACTORS IN THE BANK'S SUCCESS.

The history of the Agricultural Bank of Egypt, therefore, up to the present time, is a record of success whether judged from the standpoint of the fellaheen, the stockholders, or the Government. Aside from the rather unique character of the Egyptian system, which seems peculiarly well adapted to Egyptian conditions, and to which the bank's success must be largely attributed, there are certain special factors which account for this success in no small degree.

HIGH PERSONNEL.

One factor of paramount importance is that of the bank's high personnel. The Administrative work of a bank like the Agricultural Bank of Egypt, involving as it does the loaning of large funds, in small sums, to a people of a race and religion different from those of the bank's officials, and possessing little intelligence and little business sense, is a work which demands officials of a high order of integrity, judgment, and tact. Such work is not amenable to hard and fast rules; at every turn the exercise of discretion is demanded.

The Earl of Cromer mentions as one of the two most important reasons for the success of the bank the fact that "the supervision, which has been conducted by very carefully selected British agents, has been capable, vigilant, and honest."¹

There are now twenty-two English traveling agents continually in the field, the regular quota being twenty-four. Each agent has under his supervision several of the bank's seventy-two branches,² and is held by the head office strictly responsible for the administration of all the branches in his supervising district.³

A concern desiring to build up and maintain a high personnel must expect to pay good salaries, to recognize merit by promotion, and in other matters to be liberal to its employees. In this respect the Agricultural Bank of Egypt has not been lacking. The salary list of the English agents of the bank in the provinces is as follows:

	Per annum.
First class	£E800
Second class	700
Third class	600
Fourth class	500
Fifth class	300 to 400

When traveling beyond the limits of his district, first-class railway or steamer fare is allowed to the agent and third-class fare for one servant. PT40 is allowed for every night spent on duty beyond the limits of his district.⁴

¹ "Egypt" No. 1 (1903), p. 16; *supra*, p. 62.

² The bank has (March 31, 1906) seventy-two branches or agencies scattered throughout Egypt. These local agencies are in charge of natives, there being from two to four employees in each agency. The total force in the field exclusive of English agents is about 220. The force in the main office varies from 200 to 350 according to the season. The salary list averages about £2,000 a month. Office expenses average about £1,000 a month.

³ The bank's rules and regulations contain a clause warning agents "that they alone are responsible to head office for all money transmitted to the agencies or collected there, as well as for all sums paid out from thence."

⁴ Agents are required to travel first-class and are expected to take a clerk with them "because," as stated by the bank's rules and regulations, "in the opinion of the natives of Egypt it is undignified to go alone, and any lack of dignity on the part of the agent reflects discredit upon the bank and lowers its prestige, and prestige is a most valuable asset when it comes to collections."

The bank has made liberal provisions for a staff provident fund, and its leave of absence allowances are ample. Agents are allowed to take three month's leave every other summer.

THE UTILIZATION OF THE SERVICES OF GOVERNMENT EMPLOYEES.

A second factor of importance in explaining the bank's success, and one which is closely related to the one just mentioned, consists in the extent to which the bank has been enabled to utilize the services of Government employees in its administration. The utilization of the services of Government employees for the work of a private institution is one of the distinctive features of the Agricultural Bank of Egypt. The land tax is the principal source of Egypt's revenue. It is a very old tax—one with which the public is thoroughly familiar—and one requiring a large force of employees for its collection. The land tax is collected in several installments during the year, an effort being made to fix the times of collection in the different districts so as to correspond as nearly as possible with the period in which the returns on the principal crops are received.¹

Each landowner is furnished annually by the Government with a tax paper known as the "Wird." This paper shows the assessed value of his land, the amount of his tax, and the times when the various installments will become due. When the landowner is a borrower from the bank, his Agricultural Bank annuity is also placed by the Government on the Wird, and collected by the village tax collector, known as the "sarraf," at the time of the collection of that installment of the land tax which is due after the harvesting of the principal crop. For this service the tax collector receives a commission of one-half of 1 per cent of the amounts collected. The annuities thus collected are passed through the regular Governmental channels until they reach the treasurer of the province, by whom they are deposited to the credit of the Government in the National Bank of Egypt. The National Bank thereupon transfers by check to the Agricultural Bank the amount due that institution. The annuities are thus collected by Government tax collectors, and handled as Govern-

¹ The following table showing the amounts of the land tax paid during different months for all Egypt during the year 1902 is suggestive. Figures are in round numbers:

Month.	Amount.	Month.	Amount.	Month.	Amount.
January -----	£E279,000	May -----	£E270,000	September -----	£E64,000
February -----	281,000	June -----	484,000	October -----	1,184,000
March -----	119,000	July -----	369,000	November -----	772,000
April -----	219,000	August -----	246,000	December -----	332,000

October and November are the months during which the cotton crop is principally harvested and sold.

ment funds and entirely under Government responsibility until this transfer by the check of the National Bank of Egypt.

The village tax collector, though perhaps the most frequently mentioned Government employee in the service of the Agricultural Bank, is far from being the most important one. That honor belongs to the village headman or omdeh. The omdehs belong to the middle class of land-owners, and their position is in many respects analogous to that of the unpaid justices of the peace in England. The omdeh is the headman or spokesman of the village, and is held responsible by the Government for the order in his village. He is elected by the provincial assembly and has limited judicial powers. He is "the link between the Government and the governed," and the man upon whom, according to the Earl of Cromer, "the whole life of the village turns." The position of omdeh, although one of great dignity and influence, has no salary attached to it.¹ The sole emolument of a financial character is an exemption from the land tax on 5 acres of land.²

The Agricultural Bank of Egypt, as previously stated, depends upon this officer for much of its most important work. He is the real link between the bank and the people. It is he more than any other person who creates the public sentiment in his village concerning the bank, and it is upon him that the bank must depend largely for its information concerning the character and local standing of the various applicants for loans in his village. He gives out the application forms to persons wishing to apply for loans, he testifies concerning the ownership and cultivation of the land which the applicant wishes to mortgage, he verifies the applicant's seal, and vouches for the good faith of the applicant, and he is responsible for the truth of his testimony. His sole remuneration for these services is the privilege of borrowing money from the bank at a slightly reduced rate of interest—7 per cent instead of 9—a privilege he frequently does not care to take advantage of.³

EGYPTIAN LAND TITLES.

A third important factor in the success of the Agricultural Bank of Egypt is to be found in the character and records of the Egyptian land titles, and the Government's valuations of the land for the purpose of the assessment of the land tax. The subject of land tenure in Egypt is a complicated one, and one upon which it is difficult to obtain reliable information.⁴ Fortunately a discussion of the history and present status

¹ See Milner, *England in Egypt* (11 ed.), p. 390, and "Egypt" No. 1 (1906), p. 60.

² The children of omdehs are not liable to military service.

³ There seems to be considerable evidence that the omdehs often illegally exact fees of applicants for loans. This is an evil which the bank has for some time been making serious but rather unsuccessful efforts to eliminate.

⁴ On this general subject consult *Gouvernement Égyptien, La Législation en Matière Immobilière en Égypte*, Cairo, 1901.

of land tenures in Egypt is not necessary for our purpose, because, regardless of the theoretical differences in present-day Egyptian land tenures, the great bulk of the privately owned agricultural land in Egypt may, *for all practical purposes*, be considered as held in fee simple. The administration of the land tax requires that the sarraf, or tax collector, in each village shall have a complete record of the ownership of lands in his jurisdiction, and of the liens thereon. Further records are kept at the offices of the mixed tribunals. The recent revaluation of the various land holdings in Egypt, for the purpose of the land-tax readjustment, affords the bank reliable information concerning the value of lands offered for mortgage. The Egyptian Government itself, I am informed, holds itself responsible for the accuracy of the information concerning land titles and liens given by its duly authorized employees to the bank. As a result of this situation the Agricultural Bank of Egypt has experienced little difficulty and no losses by reason of poor land titles.

APPLICABILITY OF THE EGYPTIAN PLAN TO THE PHILIPPINES.

We have now sketched the history of the Agricultural Bank of Egypt, explained its plan of operations, and pointed out what seem to be some of the more important elements in its success; it remains to say a few words concerning the applicability of the Egyptian plan to the Philippines. This subject has already been discussed in some detail in a previous report to the Philippine Government on the advisability of establishing a Government agricultural bank in the Philippines. A two weeks' study in Cairo and vicinity of the workings of the Agricultural Bank of Egypt has but served to strengthen my convictions, as set forth in that report, of the advisability of establishing an agricultural bank in the Philippines along lines similar to that of the Agricultural Bank of Egypt. In saying this I do not mean to imply that I believe that such a bank, if established in the Philippines, would be able to show the remarkable record of success during the first few years of its history that has been shown by the Agricultural Bank of Egypt. In fact I do not believe it would be able to make such a record on the start, and that for three reasons, one relating to the Filipino people as compared with the Egyptian fellahen, another relating to the differences in the physical characteristics of the country, and the third relating to land titles in the Philippines as compared with those in Egypt. Let us take up these points in order.

THE FILIPINO FARMER AND THE EGYPTIAN FELLAH.

The Filipino and the Egyptian belong to entirely different races, and although possessing some characteristics in common, exhibit many important differences. Only two of these differences concern us here. All descriptions of the Egyptian fellah agree in describing him as industrious

and docile.¹ These are qualities that make him a productive laborer and a man easily controlled, qualities of paramount importance for the debtors of an agricultural bank to have. Now, whatever other good qualities the Filipino may have—and all in all I am inclined to think that he will show to advantage in a comparison with the Egyptian fellah—industry and docility are qualities which his warmest admirers do not claim to particularly characterize him. For this reason it is probable that an agricultural bank in the Philippines would find that its payments would be met with less promptness than they are in Egypt and would experience greater difficulties in enforcing the collection of delinquencies.² It is probable that a privately managed bank like the one recommended would have less trouble along these lines than a purely governmental institution, since it would be in a better position to deal with its customers on strictly business principles, and to be exacting with reference to the terms of the loan contract. While it must be admitted as improbable that the Filipinos as a people would prove as reliable customers for an agricultural bank as the Egyptian fellaheen, there is little reason to believe that a bank organized on the plan suggested would not be able to carry on a reasonably safe and satisfactory business provided it would use due care in the selection of its customers, would require as security for all but its petty loans mortgages on land registered under the Philippine Land Registration Act, and should take as great pains as does the Agricultural Bank of Egypt in the safeguards it throws about the various steps in the negotiation and collection of its loans. The following statement made by the Earl of Cromer concerning the Egyptian fellaheen applies with equal force to the agricultural population of the Philippines.

Until of recent years the system of government prevalent in Egypt was certainly not of a nature to encourage thrift. Time will assuredly be required to wean

¹ "They are healthy, industrious after their own fashion, extraordinarily conservative in their habits and traditions, prone to obedience, devoid of initiative, good humored, and pacific. * * * Alike in town and in country, the poorer classes are of the same manageable temperament—cheerful, sociable, and easily contented. * * * They are not only light hearted but light natured. * * * To govern such a race is, under ordinary circumstances, a simple task. * * * The docile and pacific disposition of the race, their ignorance, and their lack of independence increase enormously the responsibility resting on their governors." (Lord Milner, *England in Egypt* (1904 ed.), pp. 314, 316, 318.)

"In early life the Egyptian peasant is remarkably docile, active, and intelligent. * * * In his own fields the fellah is an industrious laborer, and his work is more continuous than that of the peasant of more northern countries." (Dr. G. Schweinwirth in Baedeker's *Egypt*, pp. xxxviii, xxxix.)

"Anyone who has seen much of the fellaheen population can bear testimony to the fact that they are a very hard-working and industrious race, who are keenly alive to such matters affecting their own interests as they clearly understand." (The Earl of Cromer, "*Egypt*" No. 1 (1900), p. 6; *Phil. Agric. Bank Rep.*, p. 46.)

² See pp. 22-25.

the Egyptian population from habits acquired during the long period when but little respect was shown for the rights of property, and when the demands of the tax gatherers were not merely excessive but also uncertain and capricious.¹

GREATER SECURITY OF EGYPTIAN CROPS.

A second advantage which an Egyptian agricultural bank would have over one in the Philippines is in the greater certainty and security of Egyptian crops. Agricultural Egypt covers about 13,000 square miles along the Nile Valley and in the delta. The area actually under cultivation during the crop year 1903-4 was, in round numbers, 5,500,000² acres. As is well known, there is practically no rainfall throughout most of Egypt, and the country is dependent for its water supply upon the River Nile. Formerly when the country was dependent upon flood irrigation—that is, upon the deposits of water and silt brought down the river in the flood season and deposited over the Nile Valley and delta—the crops were entirely dependent upon the vicissitudes of this flood. If the flood was of normal height and came at the proper season good crops were practically assured. An excessively low flood meant scant irrigation, bad crops, and frequently famine; an excessively high flood meant devastation. Under the present system of perennial irrigation prevailing throughout Lower Egypt and in certain parts of Upper Egypt, the distribution of the water supply has been brought largely under the control of man, and thanks to the reconstruction of the barrage, the erection of the Assuan dam, and other important recent improvements in the Egyptian irrigation system, the waters of the flood season can be stored and distributed as needed throughout the year. By this means droughts, and destruction of crops by reason of excessive floods, are largely averted, and the country's crops are rendered much more certain and regular than in countries depending upon rainfall for their water supply.

Furthermore, the small area of the country, its compactness, and the ready accessibility of all parts render the problem of dealing with various crop destroying pests and blights a much easier one than in a country like the Philippines. The relative security and regularity of crops due to these causes are an important factor in the successful extension of agricultural credit among petty farmers. In this respect Egypt has an advantage over the Philippines; and, for that matter, over every other country in the world in regard to the subject of land credit.

LAND TITLES IN EGYPT AND IN THE PHILIPPINES.

It has already been observed that for practical purposes, so far as the bank is concerned, the great bulk of the privately owned agricultural land in Egypt may be considered as being held in fee simple. Moreover mortgages are generally registered in the village where the land is situated

¹ "Egypt" No. 1 (1900), p. 6; Phil. Agric. Bank Rep., p. 46.

² Report upon the Administration of the Public Works Department in Egypt for 1904, pp. 102, 169.

and in the office of the proper mixed tribunal. As a result the Agricultural Bank of Egypt has been able from the start to be reasonably certain of the titles of the large number of farms offered to it by way of security. Titles registered under the Philippine Land Registration Act would be even more certain than are Egyptian titles, but up to the present time a relatively small amount of Philippine agricultural land has been so registered, and as the proposed bill only permits the bank to accept as security mortgages on land registered under that act, the amount of land in the Philippines which could for some time be hypothecated to the bank would be comparatively small. The small amount of registered land in the Philippines would probably retard somewhat the development of the bank's business at the beginning, but the difficulty would soon be remedied, as elsewhere ¹ pointed out, by the stimulus given to the registration of titles by the knowledge that registered titles would probably enable the owners to obtain loans from the bank at a moderate interest rate.

CONCLUSION.

In some important respects the Philippines compare favorably with Egypt as a field for the operations of an agricultural bank. Certainly the need for such a bank in the Philippines is greater than it was in Egypt in 1898 when the National Bank of Egypt was established. The country is in greater need of capital, there are less facilities for the obtaining of loans on landed security, and the exactions of the usurer are, if anything, more oppressive.²

In the office of municipal treasurer the bank would find a reasonably satisfactory agent for the collection of its annuities. The shortcomings of the Filipino presidente would probably not be much greater than those of the Egyptian omdeh. The Philippine Land Registration Act gives a more certain guaranty of title than does the present Egyptian registration system. The Filipino may not be as industrious as the fellah, but it is quite possible that he will improve in this respect as time goes on, now that he is beginning to learn that if he accumulates a little store of wealth he will not be robbed of it by Government officers under the guise of law. The Egyptian fellah is said to have become noticeably more industrious and thrifty since the British control has made him secure in the possession of his property. It is furthermore true that the principal crops of the Philippines, particularly hemp, copra, and sugar, do not require the careful cultivation required by Egypt's cotton and rice. The Philippines, moreover, have the advantage of Egypt's experience—no small item in the establishment of an enterprise of this character. It is assumed that the Philippines would use similar care to

¹ Phil. Agric. Bank Rep., p. 16.

² Phil. Agric. Bank Rep., pp. 28-31.

that exercised by Egypt in the granting of the concession and in seeing to it that it should be administered in the interest of the public.

In the light of the phenomenal success of the Agricultural Bank of Egypt and of the crying need of the extension of agricultural credit in the Philippines, conditions would seem to justify giving the matter a fair trial at least. The management of an agricultural bank of the type recommended would at first extend its operations very slowly, and would certainly not risk any great amount of its capital, even under a Government guaranty of interest, if its operations did not appear to be reasonably assuring after a fair trial.

In concluding this report I wish to bear testimony to the uniform courtesy and willing assistance rendered to me during my investigations in Egypt by Government officials and by business men. My thanks are particularly due to His Excellency the Earl of Cromer, to Mr. Scott-Dalglish, manager of the Agricultural Bank of Egypt; Mr. F. T. Rowlatt, governor of the National Bank of Egypt; the Hon. W. E. Brungate, Khedivial counselor, and to the Hon. Lewis M. Iddings, consul-general and diplomatic agent of the United States.

All of which is respectfully submitted.

E. W. KEMMERER,
*Special Commissioner of the Philippine
 Government to Egypt.*

The SECRETARY OF WAR, *Washington, D. C.*

The UNITED STATES PHILIPPINE COMMISSION, *Manila, P. I.*

EXHIBIT A.

SCHEDULE I.

THE AGRICULTURAL BANK OF EGYPT.

STATUTES.¹

[New edition, with modifications made by general meetings held on the 28th February, 1903, the 8th June, 1903, 6th and 23d of February, 1904, and 1st and 18th May, 1905.]

PART I.

NAME OF THE COMPANY—ITS SEAT—ITS DURATION—ITS OBJECT.

ARTICLE I. The limited liability company constituted in accordance with the terms of the decree dated the 17th May, 1902, and of the present statutes takes the name of "The Agricultural Bank of Egypt."

It is governed by the mixed codes.

ART. II. Its head office is at Cairo, but the board of directors may create agencies at any other places in Egypt and abroad which it may think advisable for the interest of the bank.

ART. III. The duration of the company is fixed at fifty years, reckoning from the 1st June, 1902.

ART. IV. The sole object of the Agricultural Bank of Egypt is to make advances to small farmers, under the following conditions:

(1) Advances not exceeding the sum of £E500 and recoverable in twenty and a half years at the latest. These advances are secured by first mortgage on lands of a value of at least double the amount of the advance.

(2) Advances not exceeding the sum of £E20 and recoverable in fifteen months at the most.

The rate of interest must not exceed 9 per cent per annum, and, in any case, the maximum conventional rate fixed by the law. If at the end of any one year the advances made according to the above-named provisions should in the course of the year reach a capital of 7,000,000

¹ The modifications of the statutes made by the general meetings held on the 28th February and 8th June, 1903, 6th and 23d February, 1904, and the 1st and 18th May, 1905, were approved by resolutions passed by the board meetings of the 9th April and 13th June, 1903, 14th April, 1904, and 30th May, 1905.

Egyptian pounds, the maximum rate of interest shall,* from the first day of the following year, be reduced to 8 per cent per annum for new advances as well as for the advances in course.

The recovery of the loans both as to principal and contingent charges shall be accomplished by the agency of the sarrafs of the villages, who shall receive a commission of one-half per cent on all sums recovered. In addition to this the bank will pay the ministry of finance the expenses of the staff specially employed in the service of the loans.

PART II.

FUNDS—SHARES—BONDS.

ART. V. The company shall have a capital of £3,740,000 sterling, of which :

(1) £2,480,000 sterling divided into 496,000 ordinary shares of £5 sterling each ; £1,250,000 sterling divided into 125,000 preferred shares 4 per cent of £10 sterling each, and £10,000 sterling divided into 2,000 founders' shares (deferred shares) of £5 sterling each.

The board of directors fixes the amount of the calls.

The above-mentioned capital can only be increased with the consent of the Government.

Any new ordinary shares which may be created in complement or increase of the above-named capital shall not be issued below par.

Holders of previously issued ordinary shares shall have a right of preference in proportion to the number of shares they hold to subscribe to the ordinary shares about to be issued.

The board of directors fixes the forms, extension of time, and conditions in which the advantage of these arrangements can be claimed.

New founders' shares can never hereafter be created.

ART. V a. The board of directors is authorized, with the consent of the Government, to issue bonds, under such conditions as they think fit, up to the amount of £6,570,000 sterling, including those already issued.

ART. VI. The amount of the shares and bonds is payable at Cairo, at the head office, or at such places as may be determined by the board of directors and on such terms as it will fix.

ART. VII. Every sum whereof the payment is in arrear carries *ipso facto*, in favor of the bank, interest at 7 per cent per annum, reckoning from the day on which it was claimable, without any demand in judicature.

ART. VIII. In default of payment when due, the bank is entitled, one month after publication of the numbers of the shares or bonds in arrears in a newspaper appointed for legal advertisements in Cairo, to cause the shares or bonds to be sold on the Alexandria bourse, in one lot or separately, even at successive dates, by stock brokers, or agents, for

account and at the risk and peril of the persons in arrear, without formal notice of judicial formalities.

The certificates of the shares or bonds so sold become *ipso facto* void and new ones under the same numbers are delivered to the purchasers.

Any certificate which does not duly mention the payment of the sums claimable ceases to be negotiable.

The steps authorized by the present article do not form an obstacle to the simultaneous exercise by the bank of the ordinary means of the law.

The price resulting from the sale, after deducting the expenses, belongs to the bank, and is set off, in accordance with the law, against that which is owing by the shareholder or bondholder whose shares or bonds have been sold, who remains liable for the difference, if there is a deficit, but who benefits by the surplus, if any.

ART. IX. The bank may make its share certificates and bonds registered or to bearer. The shares will be registered until they are fully paid. These certificates and bonds are numbered and provided with the signature of two directors.

They bear the stamp of the bank.

ART. X. The registered shares or bonds are negotiated by a transfer entered in the registers of the bank.

For that purpose, a declaration of transfer and a declaration of acceptance of transfer, the former signed by the transferrer and the latter by the transferee, are delivered to the bank.

The transmission is only effected, either as between the parties or, as regards the bank, by the registration of the transfer, made in accordance with these declarations, in the registers of the bank and signed by two directors or two attorneys of the board of directors.

The bank may require that the signature and the capacity of the parties be legally certified.

Shares and bonds to bearer are transferred by simply delivery.

ART. XI. Every shareholder or bondholder can deposit his shares or bonds at the cashier's office and claim a registered receipt in exchange for the same.

The board of directors determines the conditions, the mode of delivery, the costs of the receipt, and the costs of the exchange of the shares or bonds.

ART. XII. The shares of each category have among them, in the same way as the founders' shares, and each in proportion to their number, a share in the rights and advantages which are respectively conferred upon them by Articles XL and XLIII hereafter.

The dividends on every share, whether registered or to bearer, are validly paid to the bearer of the coupon.

ART. XIII. The shareholders are only liable up to the amount of the capital of each share; beyond that any call of funds is prohibited.

The possession of a share *ipso facto* involves adhesion to the statutes of the bank and to the resolutions of the general meeting.

The heirs or creditors of a shareholder can not, upon any pretext whatever, procure the affixing of seals upon the property and securities of the bank, or demand the division of the sale thereof by auction, or interfere in any way in its administration.

For the exercise of their rights they must abide by the inventories and the resolutions of the general meeting.

ART. XIV. Every share or bond is indivisible; the bank only recognizes one owner for one share of one bond. The rights and obligations which are attached thereto follow the share or bond into whatever hands it passess.

PART III.

THE BOARD OF DIRECTORS—COMMISSARIES—AUDITORS—GENERAL MEETING.

ART. XV. The company is administered by a board composed of the governor of the National Bank of Egypt as president, and of seven members, three of whom are chosen from amongst the directors of the National Bank of Egypt.

Three, or at most four, of these members constitute a special committee, sitting in London, where they must have their residence. The board of directors will sit in Cairo; nevertheless, the president is at liberty to call a meeting of the board in London whenever the business of the bank requires it. The board will keep the London committee informed of the business every week. It will take the opinion of the said committee and will count its votes in regard to:

(1) Of deciding upon a call of funds, of proposing the increase of the capital of the company or the distribution of shares of future creation, which the holders of shares have not the right to subscribe or do not subscribe.

(2) Of settling the Agenda of the general meetings, consenting to the convening of extraordinary meetings, or proposing amendments to the statutes.

(3) Of approving of the final balance sheet which must be submitted every year to the general meeting.

(4) When it is a question of the liquidation or the dissolution of the company.

(5) In all questions relating to the increase of the capital or the issue of bonds, the conditions of such increase or of such issue, and the distribution.

(6) In all other cases in which the intervention of the committee is asked for by the president of the board of directors.

ART. XVI. The president is charged with the fulfillment of the resolutions of the board of directors and the direction of all the business of the company.

ART. XVII. Every member of the board of directors must be the owner of at least two hundred shares of the company, deposited in the company's offices. These shares shall be inalienable during the term of his office and until the general meeting has passed the accounts for the period corresponding to the exercise of his task. The receipts for these deposits shall be stamped with a stamp showing their statutory character.

ART. XVIII. The members of the board of directors do not, by reason of their office, contract any personal liability. They are only responsible for the fulfillment of their task.

ART. XIX. The office of the member of the board of directors is personal; it can not be delegated nor exercised by delegation of power.

ART. XX. The board meets as often as it thinks fit.

The board is convened by its president or by the person acting as such.

ART. XXI. The governor of the National Bank of Egypt or, failing him, the subgovernor of the said bank, will preside over the board of directors.

In order that the decisions of the board may be valid, there must be at least three members present.

The resolutions of the board are passed by a majority of votes. In case of equality the president has a casting vote.

ART. XXII. The resolutions of the board of directors are recorded by minutes entered in special registers and signed by the president or person acting as such. Similarly, copies or extracts, to be produced for any reason whatsoever, shall be certified as correct by the president or the person acting as such.

ART. XXIII. The board of directors has the widest powers for the management of the affairs of the bank within the limits of the statutes.

It acts in judicature both as plaintiff and as defendant; it exercises all recourse and appeals, sets up all pleas of objection, and grants all powers.

It treats, arranges, makes references to arbitration, appoints all amicable referees, compromises, makes all remissions and abandonments, renounces all rights, grants, releases, and renunciation of all liens and mortgages, rights of annulment, attachments or impediments whatsoever, and consents to the cancelment of all inscriptions, all with or without payment.

It consents to all priorities of rights, all subrogations and notes.

ART. XXIV. The office of the members of the board of directors has a duration of five years. It is always renewable under the same conditions. One-fifth of the board is renewed every year.

By way of exception the first board of directors is appointed in the preliminary deed of association. The functions of this first board will continue for five years.

Upon the expiration of that period the members to retire in succession will be determined by lot. The renewal will thenceforth go by seniority.

The board of directors provisionally fills up any vacancies which may arise in its body.

These appointments are afterwards submitted to the first general meeting. The members so appointed to take the place of the other members shall hold office until the time when the functions of those whose places they take would have expired.

The years of office shall be reckoned from one ordinary general meeting to another. The directors in office shall not cease to hold office until after the holding of the general meeting and the appointment of their successors.

ART. XXV. The remuneration of the board of directors is fixed at £2,600 sterling per annum. The distribution of this sum amongst the directors shall be fixed by the board of directors.

ART. XXVI. The commissaries of the Government, delegated by the minister of finance to the National Bank of Egypt, likewise have as their task the strict observance of the statutes of the Agricultural Bank of Egypt.

They may at any time examine the accounts of the bank.

They may attend the meetings of the board of directors with a consulting voice.

In case of a breach of the statutes of the bank, they shall lay their written observations before the board, and if the same are not taken into consideration, they shall at once make their report to the minister of the finances.

ART. XXVII. The ordinary general meeting appoints an auditor annually; he is reëligible indefinitely. He receives a remuneration fixed annually by the general meeting.

The first auditor shall be appointed by the board of directors in concert with the Government commissaries.

It is the duty of the auditor to examine the accounts for the current year, and to give his opinion to the next ordinary general meeting. He does not attend any meeting of the board of directors unless asked to do so.

In order to be an auditor, he must be the owner of twenty shares, and must deposit them in the hands of the company, where they remain inalienable during the whole term of his office. This deposit will be made and received under the same conditions as that of the members of the board of directors.

ART. XXVIII. *General meeting.*—The ordinary general meeting appoints the members of the board of directors, with the exception of the president, and in conformity with the provisions of Article XV of the present statutes, as also the auditor, by a majority of votes.

It hears the reports of the board and of the auditor.

It examines the accounts and approves of them or demands their correction, as the case may be.

It fixes the dividends to be distributed; but the dividend can not be larger than those proposed by the board of directors.

It deliberates upon all the interests of the company within the limits of the statutes.

The extraordinary general meeting, upon the proposal of the board of directors, can introduce into the present statutes any modifications or additions which may be recognized as advantageous, subject to the approval of the Government. In particular it may resolve upon—

The increase or the reduction of the capital, shares, and bonds.

The prolongation or the limitation of the duration of the company.

Its prior dissolution.

The modification of the object and of the name of the company.

This enumeration is simply declaratory and by no means restrictive.

ART. XXIX. The general meeting is composed of all the shareholders of the company entitled to vote, acting in person or by proxy.

ART. XXX. Shareholders possessing at least five shares are entitled to vote at the general meeting.

Every shareholder shall, if he has not more than one hundred shares, have as many votes as he possesses five times shares. If he possesses more than one hundred shares he shall have, for the shares exceeding that number, as many votes as he has twenty times shares, and if he possesses upward of a thousand, as many votes as he has a hundred times shares.

The shareholders entitled to vote may be represented at the general meeting by legal or conventional proxies.

Th shareholders entitled to vote, who wish to attend the general meetings, must deposit their shares at the head office or at the establishments indicated for that purpose by the board of directors, at least five days before the general meeting. There shall be delivered to them, at the same time as the receipt for the deposit, an admission card bearing their name, or a proxy; this card shall state the number of votes which the holder has.

The shares, deposited at the bank for the meetings, shall be returned after the close of the meetings and upon giving up the receipt.

ART. XXXI. The ordinary general meetings shall be held every year in the month of February, at the office of the bank in Cairo, at the date fixed by the board of directors.

The extraordinary general meetings shall be held at the office of the bank whenever the board of directors deems it advisable.

ART. XXXII. The general meetings shall be convened by a notice inserted in the official journal of the Egyptian Government and in a newspaper appointed for legal notices in Cairo and also in a London newspaper. These notices shall be inserted twice, at an interval of at

least eight days, the second insertion appearing at least eight days before the date of the meeting.

The board may order any additional publicity in Egypt and abroad.

When the notices are issued for the extraordinary general meetings, they must state summarily the object of the meeting.

ART. XXXIII. The general meeting, assembled upon a first notice, deliberates validly when the shareholders present or represented constitute one-fifth of the shares issued.

If the general meeting is extraordinary, the shareholders present or represented must constitute one-fourth of the shares issued.

In either case, if this condition is not fulfilled, a second meeting shall *ipso facto* be convened in the same way but at a period which may be reduced to fifteen days. In that case one single insertion shall be sufficient. At this second meeting the meeting deliberates validly, no matter what may be the number of shares produced by its members.

No modification of the statutes can be resolved upon except by a general meeting at which three-fourths of the capital of the company—that is to say, of the share capital—are present or represented. Every resolution for a modification must be passed by at least one-half of the capital. But if the general meeting does not comprise a number of shareholders representing three-fourths of the said capital, it may pass a provisional resolution by a simple majority of the shareholders present or represented. In that case, a fresh general meeting is convened in the terms of the preceding paragraph. The notices of meeting acquaint the shareholders with the provisional resolutions passed by the first meeting, and these resolutions become final if they are approved by the new meeting composed of a number of shareholders representing at least one-fourth of the capital of the company.

ART. XXXIV. The general meetings are presided over by the governor of the National Bank of Egypt, or, failing him, by the subgovernor of the said bank, who will form the bureau by choosing, from amongst the members of the meeting, two tellers and a secretary, whose appointment shall be submitted to the meeting for ratification.

The president directs the discussions. He is invested with the widest powers for that purpose.

At the meetings no other questions can be dealt with than those put down on the agenda prepared by the board, which the president reads before the discussion.

The agenda of the ordinary meetings comprise, of themselves, everything that comes within the powers of these meetings. The agenda of the extraordinary meetings only comprise the subjects stated in the notice of the meeting. The agenda must, however, contain any proposals which have been submitted to the board at least ten days before the day of the meeting, signed by at least twenty shareholders entitled to attend

the meeting and representing together at least one-tenth of the capital of the company.

ART. XXXV. The resolutions formulated by the bureau shall be put to the vote by the president. They shall be passed by an absolute majority.

ART. XXXVI. The resolutions of the general meetings are binding on all the shareholders, even on those who are absent or dissentient.

ART. XXXVII. Minutes of the proceedings of the general meetings shall be drawn up. These minutes shall be entered in a special register and signed by the president, the tellers, and the secretary. The copies or extracts of the minutes shall be certified either by the president of the board of directors or by a director.

To the minutes of each general meeting shall be annexed the documents relating to the convening of the general meeting and the attendance sheet stating the names of the shareholders attending the meeting in person or by proxy, as also the number of shares represented.

PART IV.

ANNUAL ACCOUNTS—INVENTORIES—DIVIDENDS—RESERVE FUNDS.

ART. XXXVIII. The business year begins on the 1st January and ends on the 31st December. But the first year shall comprise the time elapsing between the 1st June, 1902, and the 31st December, 1903.

ART. XXXIX. At the end of each year a general inventory of assets and of liabilities shall be drawn up. This inventory, the balance sheet, and the profit and loss account shall be placed at the disposal of the Government commissaries, of the auditor, and of the shareholders, at the head office, ten days before the date fixed for the holding of the general meeting.

The board shall present these accounts to the general meeting and submit them for its approval.

ART. XL. The receipts shall comprise—

- (a) The interest actually received every year.
- (b) The amount of the loans due or installments due for the preceding years and actually received in the course of the year, subject to what is stipulated in the last paragraph of Article XLI.

From the receipts above mentioned, there must be deducted—

- (a) All the expenses of the company.
- (b) The amount of all loans due or installments due on these loans and not received in the course of the year.

The difference will constitute the net profits.

Out of these net profits there shall be taken successively and in the following order—

- (1) The interest on the bonds.
- (2) For the reserve fund, 5 per cent of the interest actually collected

each year. If the interest exceeds £225,000 the amount set aside for the reserve shall be increased 2 per cent on the excess. This sum of £225,000 being calculated on the basis of 9 per cent, at which rate the loans are made at present, shall be proportionately reduced if the rate of interest is lowered subsequently. Should the interest to be paid by the company on bonds it has issued be less than 4 per cent per annum, the difference between 4 per cent and the rate thus calculated shall be carried to the reserve fund. In calculating the rate of interest as above, account will be taken of the charge resulting from the reimbursement, at par, of bonds which may have produced less than par.

The sums carried to the reserve fund shall be invested in securities approved of by the Government; the interest arising from these investments shall be added to the resources of the reserve fund.

From the remaining profits there shall first of all be taken the interest to be paid to the preferred shares, if any; and then:

Five per cent of the said profits for the National Bank of Egypt by way of agreed remuneration for transacting the financial operations of the Agricultural Bank of Egypt, and the necessary sum to pay 5 per cent per annum interest to the holders of ordinary shares, upon the amount paid up thereon.

The balance shall be distributed as follows:

Fifty per cent to the ordinary shares.

Fifty per cent to the deferred shares.

ART. XLI. Whenever for any year during the fifty years of the duration of the company the interest received in the year and the sums received upon the loans due or installments due and not received for the preceding years do not reach the necessary sum—

(1) To cover all the expenses of the year and the amount of the loans or of the installments due and not actually received in the year;

(2) To leave a net profit representing 3 per cent of the capital invested in loans to the fellahs—

The additional sum for the above purposes shall be taken out of the reserve fund, and in the event of the said fund being insufficient, the Government will pay to the company, by way of subvention, at latest on the 15th February in each year, the balance of the sum necessary for the above purposes.

In this latter case the loans or installments due and not received in the year, which are collected in the following years, shall be paid over to the Government, up to the amount of the subvention paid by it to the company.

ART. XLII. The dividends shall be paid annually at the times fixed by the board of directors, after the general meeting has fixed the amount thereof.

The board of directors may, in the course of the year, distribute interim dividends.

Any dividend which is not claimed within five years from the time when it was payable is forfeited to the funds of the company.

PART V.

DISSOLUTION—LIQUIDATION—DISPUTES.

ART. XLIII. Upon the expiration of the company or in case of prior dissolution, the extraordinary general meeting, upon the proposal of the board of directors, settles the mode of liquidation, appoints the liquidators and defines their powers.

The assets, after deducting all the debts and charges, shall be devoted successively and in the following order to repaying—

- (1) The capital paid up on the preferred shares (if any).
- (2) The capital paid up on the ordinary shares.
- (3) The capital paid up on the founders' shares.

The balance, if any, shall be distributed as follows:

Fifty per cent to the ordinary shares.

Fifty per cent to the founders' shares.

The reserve fund, after previously deducting in favor of the Government all the sums which it may have paid by way of subvention and which have not been refunded to it, shall be distributed in the same proportion, viz:

Fifty per cent to the ordinary shares.

Fifty per cent to the founders' shares.

ART. XLIV. During the whole of the period of the liquidation the general meeting retains its powers.

In particular, it passes the account of the liquidation and gives a discharge for the same.

ART. XLV. The appointment of the liquidators puts an end to the powers of the board of directors.

ART. XLVI. Any disputes concerning the general and collective interest of the company can only be directed against the board of directors or one of its members in the name of the body of shareholders and in virtue of a resolution of the general meeting.

Any shareholder who wishes to raise such a dispute must give notice thereof at least one month before the next general meeting to the board of directors, which is bound to put this motion down on the agenda of the meeting.

If the motion is rejected by the meeting, no shareholder can take it up again in his own name.

If it is accepted, the meeting appoints one or more commissaries to follow the dispute.

All notices must be served on the commissaries alone on pain of nullity.

ELWIN PALMER,
F. VON LEONHARDT,
JOSEPH I. AGHION,
JACQUES DE MENASCE,
A. C. ZERVUDACHI,
M. C. SALVAGO,
M. CATTAUI.

Witnesses :

E. MANUSARDI. •

Z. GIANNOTTI.

SCHEDULE II.

CONCESSION.

Between the Egyptian Government, represented by his excellency the minister of finances, duly authorized for that purpose by a resolution of the council of ministers, dated the 17th May, 1902, of the one part, and the National Bank of Egypt and Sir Ernest Cassel, K. C. M. G., of the other part, it has been agreed as follows :

ART. I. The National Bank of Egypt and Sir Ernest Cassel are authorized to constitute a limited liability company for agricultural credit upon the following basis :

(1) The company shall have a capital of £2,500,000 sterling, part in shares and part in bonds.

The division of its capital into shares and bonds shall be determined by the company itself.

This capital can only be increased with the consent of the Government.

(2) It shall be administered by a board composed of the governor of the National Bank of Egypt, as president, and of five members, two of whom shall be chosen from amongst the members of the board of directors of the National Bank of Egypt, and controlled by the commissaries of the Government to the said bank.

(3) It shall have the duration of fifty years.

(4) Its sole object shall be to make advances to small farmers under the following conditions :

(a) Advances not exceeding the sum of £E300 each and recoverable in five years and a half at the latest. These advances are to be secured by first mortgage on lands the value of which must be at least double the amount of the advance.

(b) Advances not exceeding the sum of £E20 each and recoverable in fifteen months at the most.

(5) The rate of interest must not exceed 9 per cent per annum and, in any case, the maximum conventional rate fixed by the law.

(6) The recovery of the loans, in principal and accessories, shall be effected through the sarrafs of the villages, who shall receive from the company a commission of one-half per cent on every sum recovered.

(7) The receipt shall comprise:

(a) The interest actually received every year.

(b) The amount of the loans due or installments due for the preceding years and actually received in the course of the year, subject to what is stipulated in the last paragraph of Article II.

From the receipts above mentioned there must be deducted—

(a) All the expenses of the company.

(b) The amount of all loans due or installments due on these loans and not received in the course of the year.

The difference will constitute the net profits.

Out of these net profits there shall be taken successively and in the following order—

(1) The interest on the bonds.

(2) Five per cent of the interest actually received every year for the reserve fund.

The sums carried to the reserve fund shall be invested in securities approved of by the Government. The interest arising from these investments shall be added to the resources of the reserve fund.

From the remaining profits there shall first of all be taken the interest to be paid to the preferred shares, if any; and then—

Five per cent of the said profits for the National Bank of Egypt, by way of agreed remuneration for transacting the financial operations of the Agricultural Bank of Egypt and the necessary sum to pay 5 per cent interest to the holders of ordinary shares upon the amount paid up thereon.

The balance shall be distributed as follows:

Fifty per cent to the ordinary shares.

Fifty per cent to the deferred shares.

ART. II. Whenever, for any year during the fifty years of the duration of the company, the interest received in the year and the sums received upon the loans due or installments due and not received for the preceding years do not reach the necessary sum—

(1) To cover all the expenses of the year and the amount of the loans or of the installments due and not actually received in the year.

(2) To leave a net profit representing 3 per cent of the capital invested in loans to the fellahs—

The additional sum for the above purposes shall be taken out of the reserve fund, and in the event of the said fund being insufficient, the Government will pay to the company, by way of subvention, at latest on

the 15th February in each year, the balance of the sum necessary for the above purposes.

In this latter case, the loans or installments due and not received in the year, which are collected in the following years, shall be paid over to the Government, up to the amount of the subvention paid by it to the company.

Done at Alexandria in triplicate on the 17th May, 1902.

AHMED MAZLOUM,
The Minister of Finances.

EL. PALMER,
Governor, National Bank of Egypt.

For Sir Ernest Cassel:

F. VON LEONHARDT.

A true copy:

M. INNES.

The minister of foreign affairs certifies that the present copy of the Journal bearing the date of the 24th May, 1902, and the No. 54, is the Official Journal of the Egyptian Government.

Done at San Stefano, 10th September, 1902.

[SEAL.]

BOUTROS GHALI.

(Here follows consular legalization in English.)

EXHIBIT B.

ANNUAL REPORT OF THE DIRECTORS OF THE AGRICULTURAL BANK OF EGYPT.

SCHEDULE I.

REPORT OF THE DIRECTORS FOR THE PERIOD JUNE 1, 1902, TO DECEMBER 31, 1903.

AGRICULTURAL BANK OF EGYPT.

[Société Anonyme incorporated under Egyptian law. Created by the Khedivial decree dated May 17, 1902, under a concession of the same date granted by the Egyptian Government. Capital issued: £1,875,000 in 62,500 cumulative 4 per cent preferred shares of £10 each, 248,000 ordinary shares of £5 each, and 2,000 deferred shares of £5 each. Directors: Sir Elwin Palmer, K. C. B., K. C. M. G. (president), E. W. P. Foster, C. M. G., Sir John Rogers, K. C. M. G., D. S. O., Monsieur Felix Suares. London committee: Sir Vicent Caillard (chairman), The Right Hon. Viscount Esher, K. C. B., K. C. V. O., The Right Hon. Arnold Morley, The Hon. S. Peel. Government commissioners: V. Harari Pacha, Nubar Bey Innes. Auditors: Messrs. Hoare & Russell.]

REPORT OF THE DIRECTORS OF THE WORKING OF THE BANK FROM THE 1ST JUNE, 1902, THE DATE OF THE ESTABLISHMENT OF THE BANK, TO THE 31ST DECEMBER 1903, TO BE SUBMITTED TO THE SHAREHOLDERS AT THE FIRST ORDINARY GENERAL MEETING TO BE HELD AT THE OFFICES OF THE BANK IN CAIRO ON TUESDAY, THE 23D DAY OF FEBRUARY, 1904, AT 3.30 P. M.

The directors have to report that after crediting the reserve fund with £7,729 3s., being the statutory 5 per cent on the interest collected on loans, the net profits from the 1st June, 1902, to the 31st December, 1903, are £72,186 15s. 8d.

The amount of accrued interest on the 62,500 cumulative 4 per cent preferred shares is.....	£	s.	d.
5 per cent of the net profits to the National Bank of Egypt	2,435	7	9
	3,609	6	8
	6,044	14	5
Balance available for dividend on the ordinary shares	66,142	1	3
Total as above	72,186	15	8

The directors recommend the payment of a dividend of 4 per cent per annum on the ordinary shares calculated from the dates on which the installments were due, which will absorb £65,953 15s., leaving £188 6s. 3d. to be carried forward.

In accordance with the statutes of the bank, only the interest actually recovered during any financial year can be taken into account in making up the balance sheet. Thus only the interest actually collected, viz, £154,582 19s. 7d., has been carried to profit and loss account, whereas the interest accrued amounted to £39,286 19s. 11d. more.

This large difference will disappear in future years and a similar difference will only arise when, in any current year, fresh capital has been employed, the interest on which is recoverable in the following year.

In accordance with the resolution passed by the shareholders at a meeting held on the 29th October, 1903, 62,500 cumulative 4 per cent preference shares of £10 each, part of an issue of 125,000 shares, were issued to the public on the 4th November, 1903, all of which have been applied for and allotted.

This being the first annual report presented to the shareholders, the directors consider it expedient to explain to them somewhat fully the working of the bank.

The sole business of the Agricultural Bank is to advance money to small landowners.

All of these are paying land tax, and the amount paid by them is of material guidance to the bank in accepting or rejecting applications for loans.

There are two kinds of loans—loans termed “A” loans, which consist of small sums from PT50 to £E20 (these are recoverable within fifteen months), and “B” loans—i. e., loans of over £E20 up to £E300—the maximum period for the recovery of which is ten and one-half years, the redemption taking place by equal annual installments. For the “A” loans there is no special security beyond the crop. The “B” loans are secured by a first mortgage on land of a value at least double the amount of the loan.

Lists of all loans made by the bank are sent to the ministry of finance by whom they are sent to the village tax collectors with orders to recover the amount falling due; at the beginning of each month the ministry of finance informs the bank what amount has been recovered during the previous month and credits the bank with the amount collected; the bank pays the tax collectors one-half per cent on all recoveries effected by them. At the end of the month succeeding the one in which recovery is due, the ministry of finance sends the bank lists of all loans then in arrears, if any, and the necessary steps have to be taken by the bank's agents to get in the arrears.

With a view to improving the cotton crop both in quantity and in quality, the Khedivial Agricultural Society has for the past few years offered to provide the small proprietors with specially selected cotton seed. By an arrangement with the bank an “A” loan is given for the cost of the seed furnished to each applicant. It has now been settled that the

demands for seed shall be received by the bank's agents, the seed being provided by the Agricultural Society and distributed by the Government agents as in the past. An experiment is also being made in two districts to see if the distribution of manure on the same basis can be made.

In the first financial year of the bank's working consisting of nineteen months there were put out 59,607 "A" loans amounting to £E380,860 and 55,014 "B" loans which amounted to £E1,970,307.

The number of loans outstanding on the 31st December, 1903, was 78,911, of which 13,156 were in "A" loans, amounting to £E104,684, and 65,755 in "B" loans, amounting to £E2,091,157. The 65,755 "B" loans include the loans taken over from the National Bank of Egypt on the formation of the Agricultural Bank. The total of the "A" and "B" loans was £E2,195,841, being an average of £E27.82 for each loan.

It will be seen from the above figures that the amount of loans granted has exceeded the present capital raised, and arrangements have accordingly been made with the National Bank of Egypt for providing funds in anticipation of a further issue of capital being made.

In view of the constantly increasing demand for loans from the bank, the Egyptian Government have unofficially agreed to extend their subvention guaranteeing 3 per cent per annum on the capital employed, to a further £2,500,000, which it is proposed to raise gradually by debentures as the money is required. The terms of the proposed arrangements in this connection are expressed in the proposed modification of the statutes which have been submitted to the sanction of the shareholders.

The following statistics of loans outstanding on 31st December, 1903, may be of interest:

A.	
Loans of £E1 and under.....	759
Loans over £E1 to £E5.....	5,963
Loans over £E5 to £E20.....	6,434
	<hr/> 13,156
B.	
Loans from £E20 to £E50.....	53,481
Loans over £E50 to £E100.....	7,928
Loans over £E100 to £E150.....	2,359
Loans over £E150 to £E300.....	1,987
	<hr/> 65,755
Total	<hr/> 78,911

The total number of land-tax payers according to the figures furnished by the ministry of finance is 1,026,081; at least 96 per cent are proprietors of 20 feddans or less, 85 per cent being proprietors of 5 feddans or less. It will be noticed that so far the proportion of land-tax payers who have become clients of the bank is not large.

There appears little doubt that a far greater proportion will in time apply to the bank for accommodation, and in fact since 31st of December

last up to the 8th of February loans have been granted to 7,516 applicants, amounting to £E34,456 in "A" loans and £E229,419 in "B" loans.

The directors consider that they have established ample safeguards for the conduct of the business of the bank and they have every reason to believe that it will continue to develop in a manner satisfactory both to that part of the Egyptian population which it is intended to serve and to the shareholders.

The board wish to record their appreciation of the services rendered by the manager, Mr. Scott-Dalglish, and by all the agents of the bank.

By order of the board:

ELWIN PALMER, *President.*

CAIRO, *February, 1904.*

Agricultural Bank of Egypt.

BALANCE SHEET 31st DECEMBER, 1903.

Item.	Egyptian currency.		English currency.		
LIABILITIES.					
To capital paid up:	£E.	m.			
248,000 ordinary shares of £5 each	1,209,000	000			
2,000 deferred shares of £5 each	9,750	000			
62,500 4 per cent cumulative preferred shares of £10 each, partly paid up	480,780	300			
	£E.	m.	£	s.	d.
	1,699,530	300	1,743,108	0	0
To sundry creditors:					
National Bank of Egypt, overdraft	448,233	045			
Interest accrued on preferred shares	1,862	883			
Agents' and greffiers' commissions	7,475	174			
5 per cent to National Bank of Egypt, as per statutes	3,519	105			
Sundries	1,121	409			
	462,211	616	474,063	3	11
To reserve fund, being 5 per cent on £E150,718.411	7,535	920	7,729	3	0
To staff provident fund	820	831	841	17	7
To legal expenses fund	6,009	591	6,163	13	8
To reserve against loans overdue, as per statutes	5,495	693	5,636	12	2
To reserve against overdue interest	1,471	842	1,509	11	7
To suspense account, being interest accrued to 31 December, 1903, and due in 1904	36,832	984	37,777	8	4
To profit-and-loss-account balance	64,488	509	66,142	1	3
Total liabilities	2,284,397	286	2,342,971	11	6
ASSETS.					
	£E.	m.			
By cash with agents	15,134	692			
By cash deposited with the mixed tribunals	250	000			
	15,384	692	15,779	3	5
By loans on mortgage, £E10 to £E300 each, repayable by installments over a period of years	2,091,157	445			
By loans of PT50 to £E20 repayable within fifteen months	104,684	533			
	2,195,841	978	2,252,145	12	5
By interest on loans accrued but not yet payable	36,832	984	37,777	8	4
By overdue interest on loans	1,471	843	1,509	11	7
By buildings, amount expended to date	15,203	113	15,598	1	3
By furniture:					
Amount expended to date	2,807	625			
Less 10 per cent written off	280	762			
	2,526	863	2,591	13	2
By preliminary expenses and expenses of issue of preferred shares	20,556	976			
Less one-sixth written off	3,426	162			
	17,130	814	17,570	1	4
Total assets	2,284,397	286	2,342,971	11	6

Agricultural Bank of Egypt—Continued.

PROFIT AND LOSS ACCOUNT FROM 1st JUNE, 1902, TO 31st DECEMBER, 1903.

Item.	Egyptian cur- rency.		English cur- rency.		
	£E.	m.	£	s.	d.
To interest on bank overdraft.....	16,855	773	17,287	19	5
To reserve against overdue loans	5,495	693	5,636	12	2
To directors' fees.....	3,575	000	3,666	13	4
To reserve fund	7,535	920	7,729	3	0
To interest on preferred shares.....	2,374	505	2,435	7	9
To remuneration to National Bank of Egypt, being 5 per cent on net profits, as provided by the statutes	3,519	105	3,609	6	8
			40,365	2	4
To balance to be dealt with as follows:					
Interest at 4 per cent per annum from dates on which the installments were due on 248,000 ordinary shares	64,304	906			
To be carried forward	183	603			
			64,488	509	
Total			103,844	505	
By interest collected	150,718	411			
Less current expenses and provision for reduction of furniture account, one- sixth of preliminary expenses and of cost of preferred share issue.....	46,873	906			
			103,844	505	
Total			103,844	505	

Accountant, H. Brereton; manager, G. Scott-Dalglish; president, Elwin Palmer.

We have examined the above balance sheet and certify that in our opinion it is a full and fair balance sheet and properly drawn up so as to exhibit a true and correct view of the state of the company's affairs. 1st February, 1904.

HOARE & RUSSELL, *Chartered Accountants.*

SCHEDULE II.

REPORT OF THE DIRECTORS FOR THE PERIOD JANUARY 1, 1903,
TO DECEMBER 31, 1904.

AGRICULTURAL BANK OF EGYPT.

[Société Anonyme incorporated under Egyptian law. Created by the Khedivial decree dated May 17, 1902, under a concession of the same date granted by the Egyptian Government. Capital issued: £3,750,000 sterling in 248,000 ordinary shares of £5 each, 62,500 cumulative 4 per cent preferred shares of £10 each, 2,000 deferred shares of £5 each, £1,875,000 in debentures bearing interest at 3½ per cent per annum. Reserve fund, £20,910 10s. 7d. Directors: Sir Elwin Palmer, K. C. B., K. C. M. G. (president), E. W. P. Foster, C. M. G., Sir John Rogers, K. C. M. G., D. S. O., Monsieur Felix Suares. London committee: Sir Vincent Caillard (chairman), The Right Hon. Viscount Esher, K. C. B., K. C. V. O., The Right Hon. Arnold Morley, The Hon. S. Peel. Government commissioners: H. E. V. Harari Pacha and Nubar Bey Innes. Auditors: Messrs. Hoare & Russell.]

REPORT OF THE DIRECTORS ON THE WORKING OF THE BANK FOR THE YEAR 1904 TO BE SUBMITTED TO THE SHAREHOLDERS AT THE SECOND ORDINARY GENERAL MEETING, TO BE HELD AT THE OFFICES OF THE BANK IN CAIRO ON MONDAY, THE 20TH OF FEBRUARY 1905, AT 3 O'CLOCK P. M.

The directors have to report that—

The net profits of the bank for the financial year 1904, established in accordance with Article XL of the statutes, amount to.....

	£	s.	d.
1904, established in accordance with Article XL of the statutes, amount to.....	157,859	9	11

From this amount there has to be deducted:

	£	s.	d.
(1) The service of the bonds outstanding	27,795	10	7
(2) The provision for the reserve fund	12,916	8	10
	<u>40,711</u>	19	5

Leaving	117,147	10	6
---------------	---------	----	---

And there has to be further deducted:

(3) Dividend on £625,000 preferred shares	24,596	3	7
(4) 5 per cent to the National Bank of Egypt	5,866	15	10
	<u>30,462</u>	19	5
	86,684	11	1

Which is available for distribution of dividend on ordinary and deferred shares.

The ordinary shares have to receive in the first instance dividend at the rate of 5 per cent per annum

	62,000	0	0
--	--------	---	---

The balance of	24,684	11	1
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Is available to the extent of one-half, or..... 12,342 5 6
for further dividend on the ordinary shares and to the extent of one-half, or £12,342 5s. 6d., for dividend on the deferred shares.

ORDINARY SHARES.

The amounts available for dividend on these shares for the year are as follows:

	£	s.	d.
Balance from 1903.....	188	6	3
For dividend at the rate of 5 per cent per annum....	62,000	0	0
Further amount available.....	12,342	5	6
	<u>74,530</u>	11	9

The directors propose a dividend at the rate of 6 per cent per annum for the year 1904 on the ordinary shares amounting to.....

	74,400	0	0
--	--------	---	---

And to carry forward the balance of.....	130	11	9
--	-----	----	---

DEFERRED SHARES.

The amount available for dividend on these shares is

	12,342	5	6
--	--------	---	---

The directors propose a dividend at the rate of £6 3s. per share for the year 1904 amounting to

	12,300	0	0
--	--------	---	---

And to carry forward the balance of.....	42	5	6
--	----	---	---

As pointed out in last year's report, only the interest actually recovered during any financial year can be taken into account in making up the balance sheet. Accordingly only the interest actually collected, viz, £248,806 6s., has been carried to the credit of profit-and-loss account for 1904, whereas the interest accrued amounted to £70,594 12s. 3d. in addition to this amount.

At the end of 1904 the overdue loans for the year amounted to £21,220 and the overdue interest to £7,209. Of these two items £13,730 and £4,530 have been collected respectively since the closing of the accounts for 1904.

The directors are glad to be able to report that the work of the bank has steadily progressed throughout the year. The total number of loans put out in 1904 was 112,103 and the total number outstanding on the 31st December, 1904, was 134,207, amounting to over £4,000,000, as against 78,911, amounting to a little over £2,000,000, on the 31st December, 1903.

The following statistics of loans outstanding on the 31st December, 1904, may be of interest:

A.		
Loans of PT50 to £E1.....	1,060	
Above £E1 to £E5.....	6,776	
Above £E5 to £E20.....	9,662	
		<hr/> 17,498
B.		
Loans from £E20 to £E50.....	96,234	
Above £E50 to £E100.....	13,207	
Above £E100 to £E150.....	3,934	
Above £E150 to £E500.....	3,334	
		<hr/> 116,709
Total		<hr/> 134,207

The average of the small loans is £E6 1s. and the average of the larger loans £E33 3s.

During January of this year the balance of the 3½ per cent bonds, amounting to £625,000, has been placed, and about £65,000, part of the unissued preferred shares, have been sold.

The constantly increasing applications for loans make an extension of the powers of the bank for providing capital necessary, and accordingly negotiations have been entered into with the Government, the result of which will be communicated to the shareholders in due course.

The board wish to record their appreciation of the services of the whole staff at the headquarters of the bank and of the bank and of the agents in the provinces.

By order of the board:

ELWIN PALMER, *President.*

CAIRO, *February, 1905.*

Agricultural Bank of Egypt.

BALANCE SHEET 31st DECEMBER, 1904.

Item.	Egyptian currency.		English currency.		
LIABILITIES.					
To capital paid up:	£E.	m.			
248,000 ordinary shares of £5	1,209,000	000			
2,000 deferred shares of £5	9,750	000			
62,500 4 per cent cumulative preferred shares of £10 each	609,375	000			
Less calls outstanding	198	900			
	609,176	100			
£1,875,000 3½ per cent debentures	1,828,125	000			
	£E.	m.	£.	s.	d.
	3,656,051	100	3,749,796	0	0
To sundry creditors:					
National Bank of Egypt overdraft	378,699	506			
Interest accrued on debentures	16,127	670			
Interest accrued on preferred shares	12,187	500			
Agents' and greffiers' commissions	5,949	375			
Remuneration to National Bank of Egypt as per statutes	5,720	121			
Sundries	2,774	409			
	421,458	581	432,265	4	2
To reserve fund	20,387	767	20,910	10	7
To sinking fund for discount and expenses of 3½ per cent debenture issue	684	884	702	8	11
To staff provident fund	1,497	261	1,535	13	1
To legal expenses fund	26	187	26	17	2
To reserve against overdue loans as per statutes	21,791	407	22,350	3	3
To reserve against overdue interest	7,560	985	7,754	17	2
To suspense account, interest on loans accrued in 1904 and due in 1905	68,829	749	70,594	12	3
To unclaimed dividends and interest:					
On ordinary shares	169	650			
On preferred shares	190	875			
On 3½ per cent debentures	4	383			
	364	908	374	5	4
To profit-and-loss-account balance	84,701	045	86,872	17	4
Total liabilities	4,283,353	874	4,393,183	9	3
ASSETS.					
	£E.	m.			
By cash at agencies	34,399	052			
By cash deposited with mixed tribunals	1,600	000			
	35,999	052	36,922	2	1
By loans on mortgage, £E10 to £E500 each, repayable by instalments over a period of years	3,787,209	114			
By loans of PT50 to £E20, repayable within fifteen months	149,032	483			
	3,936,241	597	4,037,170	17	5
By interest on loans accrued but not yet payable	68,829	749	70,594	12	3
By overdue interest on loans	7,560	985	7,754	17	2
By reserve investment account	7,535	920	7,729	3	0
By buildings and furniture	32,970	593	33,815	19	10
By discount and expenses of 3½ per cent debentures issue (to be written off over a period of forty-five years)	177,333	019	181,880	0	5
By preliminary expenses and expenses of issue of preferred shares (less one-sixth written off)	13,621	584	13,970	17	1
By stamp duty and printing of £625,000 3½ per cent debentures, being balance unissued on 31st December, 1904	3,261	375	3,345	0	0
Total assets	4,283,353	874	4,393,183	9	3

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31st DECEMBER, 1904.

	£E.	m.	£.	s.	d.
To interest on bank overdraft	25,133	616	25,778	1	4
To reserve against overdue loans	20,689	359	21,219	17	1
To service of debentures	27,100	640	27,795	10	7
To directors' fees	2,535	000	2,600	0	0
To reserve fund, as per statutes	12,593	529	12,916	8	10
To interest on preferred shares	23,981	275	24,596	3	7
To remuneration to National Bank of Egypt, as provided by the statutes	5,720	121	5,866	15	10
	£E.	m.			
	117,753	540	120,772	17	8

Agricultural Bank of Egypt—Continued.

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31st DECEMBER, 1904—Continued.

Item.	Egyptian currency.		English currency.		
To balance, to be dealt with as follows:					
Interest and dividend at 6s. per ordinary share, being 6 per cent	£E.	m.			
Dividend at £6 32s. per deferred share	72,540	000			
Balance carried forward	11,992	500			
	168	545			
Total	£E.	m.	£	s.	d.
	84,701	045	86,872	17	4
By balance carried forward from 31st December, 1902	202,454	585	207,645	14	7
By loans overdue to 31st December, 1903, collected during 1904	183	603	188	6	3
By interest collected:	4,398	645	4,506	6	0
On loans due in 1904	241,646	417			
On loans overdue	939	723			
	242,586	140	248,806	6	0
Less current expenses, depreciation of buildings and furniture, one-sixth of preliminary expenses and cost of preferred shares issue, and contribution to staff provident fund	247,163	388	253,500	18	3
	44,708	808	45,855	3	9
Total	202,454	585	207,645	14	7

Chief accountant, J. W. E. Lombard; manager, G. Scott-Dalglish; president, Elwin Palmer.
We have examined the above balance sheet and certify that in our opinion it is a full and fair balance sheet and properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as shown by the books. 9th February, 1905.

HOARE & RUSSELL, *Chartered Accountants.*

SCHEDULE III.

REPORT OF THE DIRECTORS FOR THE PERIOD JANUARY 1, 1904
TO DECEMBER 31, 1905.

AGRICULTURAL BANK OF EGYPT.

[Société anonyme incorporated under Egyptian law. Created by Khedivial decree dated May 17, 1902, under a concession of the same date granted by the Egyptian Government. Authorized share capital: £3,740,000 sterling in 496,000 ordinary shares of £5 each, 125,000 cumulative 4 per cent preferred shares of £10 each, 2,000 deferred shares of £5 each (all issued). Authorized debenture capital: £6,570,000 sterling (of which £2,500,000 have been issued). Reserve fund: £47,418 3s. 11d. Directors: The governor of the National Bank of Egypt (president), E. W. P. Foster, C. M. G., Sir John Rogers, K. C. M. G., D. S. O., Monsieur Felix Suares. London committee: Sir Vincent Caillard (chairman), The Right Hon. The Viscount Esher, K. C. B., K. C. V. O., The Right Hon. Arnold Morley, The Hon. S. Peel. Government Commissioners: Nuhar Bey Innes and L. G. Roussin, esq. Auditors: Messrs. Russell & Kerr.]

REPORT OF THE DIRECTORS ON THE WORKING OF THE BANK FOR THE YEAR 1905 TO BE SUBMITTED TO THE SHAREHOLDERS AT THE THIRD ORDINARY GENERAL MEETING, TO BE HELD AT THE OFFICES OF THE BANK IN CAIRO ON WEDNESDAY, THE 28TH OF FEBRUARY, 1906, AT 3 O'CLOCK P. M.

The directors have to report that—

The net profits of the bank for the financial year

	£	s.	d.
1905, established in accordance with Article XL of statutes, amount to	302,285	14	5

From this amount there has to be deducted:

	£	s.	d.
(1) The service of the debentures issued	96,202	11	0
(2) The provision for the reserve fund	25,790	4	6
	<u>121,992</u>	15	6

Leaving 180,292 18 11

And there has to be further deducted:

(3) Dividend on £1,250,000 preferred shares	46,128	10	11
(4) 5 per cent to the National Bank of Egypt..	9,023	5	10
	<u>55,151</u>	16	9

Leaving 125,141 2 2

Which is available for distribution of dividend on ordinary and deferred shares.

The ordinary shares have to receive in the first instance dividend at the rate of 5 per cent per annum

62,000 0 0

The balance of 63,141 2 2

Is available to the extent of one-half, or..... 31,570 11 1

For further dividend on the ordinary shares and to the extent of one-half, or £31,570 11s. 1d., for dividend on the deferred shares.

ORDINARY SHARES (FIRST ISSUE OF 248,000 SHARES).

The amounts available for dividend on these shares for the year are as follows:

	£	s.	d.
Balance from 1904.....	130	11	9
For dividend at the rate of 5 per cent per annum.....	62,000	0	0
Further amount available.....	31,570	11	1

Total 93,701 2 10

The directors propose a dividend at the rate of $7\frac{1}{2}$ per cent per annum for the year 1905 on the 248,000 ordinary shares of the first issue amounting to.....

93,000 0 0

And to carry forward the balance of..... 701 2 10

DEFERRED SHARES.

The amounts available for dividend on these shares are as follows:

	£	s.	d.
Balance from 1904.....	42	5	6
Further amount available.....	31,570	11	1

Total 31,612 16 7

The directors propose a dividend at the rate of £15 15s. per share for the year 1905, amounting to..

31,500 0 0

And to carry forward the balance of..... 112 16 7

Only the interest actually recovered during any financial year can be taken into account in making up the balance sheet. Accordingly only the interest actually collected, viz, £432,717 9s. 11d. has been carried to the credit of profit-and-loss account for 1905, whereas the interest accrued amounted to £89,627 15s. 6d. in addition to this amount.

At the end of 1905 the overdue loans for the year amounted to £68,400 and the overdue interest to £28,660.¹

The greater part of these arrears was outstanding in the Behera Province and in the northern parts of Gharbieh and Dakahlieh. Of this amount over £E30,000 has been collected by the bank up to February 8.

Owing to the lateness of the cotton crops in these parts the payment to the fellaheen against sale of their cotton was naturally delayed and hence the bank was late in collecting its money.

The directors are glad to be able to report that the work of the bank has continued to increase steadily, £2,937,960 having been put out in loans during 1905 against £2,497,300 in 1904.

The total number of loans put out in 1905 was 106,373 and the total number outstanding on the 31st December, 1905, was 185,530, amounting to over £5,900,000, as against 134,207, amounting to a little over £4,000,000 on the 31st December, 1904; of these 185,530, 21,829 are "A" loans and 163,701 "B" loans.

The following statistics of loans put out during the year may be of interest:

A.	
Loans of PT50 to £E1.....	1,861
Above £E1 to £E5.....	19,217
Above £E5 to £E20.....	26,863
	————— 47,941
B.	
Loans from £E10 to £E50.....	45,267
Above £E50 to £E100.....	7,478
Above £E100 to £E150.....	2,596
Above £E150 to £E500.....	3,081
	————— 58,432
Total	106,373

The average of the small loans is £E8.4 and the average of the larger loans £E42.1.

In addition to the £625,000 of the 3½ per cent bonds issued in January, 1905, the whole of the remainder of the preferred shares has been placed during the year, thus completing the issue of the £5,000,000 of capital authorized in 1904.

At the extraordinary general meeting of the bank of the 18th of May, 1905, it was resolved to increase the share capital to £3,740,000 by the

¹ Of this total sum of £97,060, £70,000 was collected prior to March 31, 1906.—E. W. K.

issue of 248,000 new ordinary shares of £5 each and to increase the debenture capital from £2,500,000 to £6,570,000. This was duly sanctioned by the Government, subject to the condition that from the beginning of the year succeeding that at the end of which the loans outstanding should have reached £E7,000,000 the maximum rate of interest charged to fellaheen should be reduced to 8 per. cent for both old and new loans.

The new ordinary shares were issued pro rata to the original shareholders at par in October and will rank equally with the old shares from January 1 of this year.

The board has to announce with the greatest sorrow and with a deep sense of the loss the bank has sustained, the sad death of Sir Elwin Palmer, governor of the National Bank of Egypt and president of the Agricultural Bank of Egypt, to which institutions his great capacity and untiring energy were devoted.

They wish to record their appreciation of the services of the whole staff at the headquarters of the bank and of the agents in the provinces.

For the Board:

F. T. ROWLATT,

Subgovernor of the National Bank of Egypt.

CAIRO, February, 1906.

Agricultural Bank of Egypt.

BALANCE SHEET 31st DECEMBER, 1905.

Item.	Egyptian currency.		English currency.		
LIABILITIES.					
To capital paid up:	£E.	m.			
496,000 ordinary shares of £5	2,418,000	000			
2,000 deferred shares of £5.....	9,750	000			
125,000 4 per cent cumulative preferred shares of £10.....	1,218,750	000			
£2,500,000 3½ per cent debentures.....	2,437,500	000			
			£E.	m.	£ s. d.
			6,084,000	000	6,240,000 0 0
To sundry creditors:					
Soc. Egypt de la Daira Sanieh.....	487,500	000			
Interest accrued on debentures.....	21,328	125			
Interest accrued on preferred shares.....	24,375	000			
Agents commission.....	4,097	196			
Remuneration to the National Bank of Egypt, as per statutes.....	8,797	708			
Sundries.....	7,623	868			
			553,721	917	567,919 18 4
To reserve fund.....			46,232	742	47,418 3 11
To sinking fund for discount and expenses of 3½ per cent debentures issue	3,744	757			3,840 15 7
To staff provident fund	2,703	744			2,773 1 5
To reserve against overdue bonus, as per statutes.....	68,821	912			70,586 11 6
To reserve against overdue interest	28,908	257			29,649 9 11
To suspense account, interest on loans accrued in 1905 and due in 1906.....			87,387	082	89,627 15 6
To unclaimed dividends and interest:					
On ordinary shares.....	225	168			
On deferred shares.....	11	992			
On preferred shares.....	625	632			
On 3½ per cent debentures	640	574			
			1,503	366	1,541 18 3
To profit-and-loss-account balance.....			122,181	124	125,313 19 6
Total liabilities.....			6,999,204	901	7,178,671 13 11

Agricultural Bank of Egypt—Continued.

BALANCE SHEET 31st DECEMBER, 1905—Continued.

Items	Egyptian currency.		English currency.		
ASSETS.					
	£E.	m.			
By cash at National Bank of Egypt-----	747,511	631			
By cash at agencies-----	26,864	308			
By cash deposited with mixed tribunals--	1,625	000			
	£E.	m.	£	s.	d.
	776,000	939	795,898	8	0
By loans on mortgage, £E10 to £E500 each, repayable by installments over a period of years-----	5,571,000	731			
By loans of PT50 to £E20 repayable within fifteen months-----	194,670	831			
	5,765,671	562	5,913,509	5	11
By interest on loans accrued but not yet payable-----	87,387	082	89,627	15	6
By overdue interest on loans-----	28,908	257	29,649	9	11
By reserve investment account-----	20,386	420	20,909	3	0
By buildings and furniture-----	54,370	281	55,764	7	10
By discount and expenses of 3½ per cent debentures issue (to be written off by December 31, 1948)-----	242,180	913	248,390	18	7
By preliminary expenses and expenses of issue of pre- ferred shares (less ½ written off)-----	24,299	447	24,922	10	2
Total assets-----	6,999,204	901	7,178,671	13	11

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31st DECEMBER, 1905.

	£E.	m.	£	s.	d.
To interest on overdraft.....	13,916	269	14,273	1	11
To reserve against overdue loans.....	66,639	588	68,399	11	6
To service of debentures.....	93,797	488	96,202	11	0
To directors' fees.....	2,535	000	2,600	0	0
To reserve fund, as per statutes.....	25,145	468	25,790	4	6
To interest on preferred shares.....	44,975	330	46,128	10	11
To remuneration to National Bank of Egypt, as provided by the statutes.....	8,797	708			
			9,023	5	10
	£E.	m.			
	255,856	851	262,417	5	8
To balance, to be dealt with as follows:					
Interest and dividend on 248,000 ordinary shares of first issue at 7s. 6d. per share, being 7½ per cent.....	90,675	000			
Dividend at £15 15s. per deferred share.....	30,712	500			
Balance to be carried forward.....	793	624			
	122,181	124	125,313	19	6
Total.....	378,037	975	387,731	5	2
By balance carried forward from 31st December, 1904.....	168	545	172	17	4
By loans overdue to 31st December, 1904, collected during 1905.....	19,659	083	20,163	3	3
By interest collected:					
On loans overdue.....	6,596	489			
On loans due in 1905.....	415,303	069			
	421,889	558	432,717	9	11
	441,727	186	453,053	10	6
Less current expenses, depreciation of buildings and furniture, one-sixth of preliminary expenses and cost of preferred shares issue, and contribution to staff provident fund.....	63,689	211	65,322	5	4
Total.....	378,037	975	387,731	5	2

Chief accountant, Theo. Levi; manager, G. Scott-Dalglish; acting president, F. T. Rowlatt (sub-governor of the National Bank of Egypt).

We have examined the above balance sheet and certify that in our opinion it is a full and fair balance sheet and properly drawn up so as to exhibit a true and correct view of the state of the company's affairs, as shown by the books.

RUSSELL & KERR, Chartered Accountants.

10 February, 1906.

EXHIBIT C.

EXTRACTS FROM THE ANNUAL REPORTS OF THE EARL OF CROMER RELATIVE TO THE AGRICULTURAL BANK OF EGYPT, AND TO THE DISTRIBUTION OF EGYPTIAN LAND.

SCHEDULE I.

EXTRACT FROM THE ANNUAL REPORT OF THE EARL OF CROMER FOR THE YEAR 1904.¹

The Agricultural Bank has considerably extended its operations during the past year, and it now may be said to be working all over Egypt. The number of loans not exceeding £E20 put out during the past year was 47,753; the number of loans of from £E20 to £E500 was 64,350, making a total of 112,103. Many of the loans were, without doubt, contracted to make good the loss of cattle consequent on the cattle plague.

The following were the number of loans outstanding at the end of 1904:

From PT50 to £E1.....	1,060
From £E1 to £E5.....	6,776
From £E5 to £E20.....	9,662
From £E20 to £E50.....	96,334
From £E50 to £E100.....	13,207
From £E100 to £E150.....	3,934
From £E150 to £E500.....	3,334
Total	134,207

The average amount of loans below £E20 was £E6 1m.; that of the loans above £E20 was about £E33.

The total amount outstanding on the 31st December, 1904, was £4,005,569. The total now outstanding (January 31) is £4,346,500. As the capital of the bank is only £5,000,000, an increase of capital will very shortly be required.

The arrears in capital and interest for the year 1904 amounted to £E27,718, or about 3 per cent of the amount that was due for collection. By the end of January about a third of these arrears had already been recovered.

* * * * * *

¹ "Egypt" No. 1 (1905), pp. 29-33.

In my report for the year 1902 (p. 24) I made some remarks on the distribution of land in Egypt.

I stated that such statistics as existed were not thoroughly trustworthy, as all transfers of land were not registered.¹ This source of error still exists, but a fair degree of reliance may nevertheless be placed on the figures for all purposes of comparison.

The following table shows the changes which have taken place during the last five years:

Area of holding.	1900.		1904.	
	Number of land-owners.	Acreage.	Number of land-owners.	Acreage.
Below 5 acres.....	761,337	1,113,411	932,013	1,213,444
From 5 to 10 acres.....	80,171	560,195	78,902	551,441
From 10 to 20 acres.....	29,710	550,774	58,658	534,884
From 20 to 30 acres.....	12,267	301,354	11,868	288,281
From 30 to 50 acres.....	8,990	344,765	8,791	338,094
Above 50 acres.....	11,029	2,243,573	12,311	2,348,047
Total.....	914,414	5,114,052	1,082,543	5,274,191

It will be observed that the total increase in the area during the past five years amounts to 190,136 acres. Of this amount 104,474 acres apparently went to the large² and 55,665 acres to the smallest class of proprietors, namely those holding under 5 acres. These latter have also gained 44,368 acres from the intermediate classes, viz, those holding between 5 and 50 acres.

It is also to be noted that the acreage held by the smallest class of proprietors increased from 21.78 per cent of the total amount in 1900 to 23.01 per cent in 1904, and that the acreage held by the "large" proprietors increased from 42.87 to 44.52 per cent during the same period. On the other hand, the number of proprietors in all the intermediate classes, as also the acreage held by them, has decreased in slightly different proportions. An examination of the figures of the intermediate years shows that both the increase in the large and very small proprietors, and also the decrease in the four intermediate classes, have been continuous. The explanation probably lies to a certain extent in the fact that,

¹ The recent reduction of from 5 to 2 per cent on the duty heretofore levied on sales may possibly incline more persons to register than heretofore, but the change has, of course, not as yet had time to operate. A proposal is now being studied by the commission appointed to examine certain proposed changes in the law administered by the mixed tribunals to render registration compulsory. It is greatly to be hoped that this excellent proposal will be adopted. Among other good results, it will, for the first time, enable thoroughly accurate information to be obtained as regards the distribution of land.

² For the purposes of the present argument, I use the words "large" proprietors as signifying those owning more than 50 acres of land.

under the Mohammedan law of succession, when a landowner dies his property is divided amongst all his heirs. This would naturally operate in the direction of increasing the smaller categories of proprietors and diminishing the larger categories. Its effect on the class of "large" proprietors would, for obvious reasons, be less perceptible.

The following table shows the proportions of land held by Europeans and local subjects in 1900 and 1904, respectively:

Area of holding in acres.	1900.				1904.			
	Europeans.		Natives.		Europeans.		Natives.	
	Num-ber.	Acreage.	Num-ber.	Acreage.	Num-ber.	Acreage.	Number.	Acreage.
Below 5 acres.....	2,446	4,877	758,891	1,108,534	2,697	4,524	929,416	1,208,920
From 5 to 10 acres....	792	5,893	79,379	554,303	690	5,223	78,203	546,218
From 10 to 20 acres....	717	10,724	38,993	540,050	625	9,024	38,033	525,850
From 20 to 30 acres....	372	9,324	11,895	292,110	322	8,099	11,546	280,182
From 30 to 50 acres....	467	18,227	8,523	336,428	225	15,200	8,406	322,834
Above 50 acres.....	1,553	537,095	10,386	1,706,478	1,615	582,033	10,696	1,766,014
Total.....	6,347	586,140	908,067	4,527,903	6,243	624,173	1,076,300	4,650,018

It will be seen (1) that the total number of European proprietors has fallen in the last five years from 6,347 to 6,243; (2) that the number of "large" European proprietors has increased from 1,553 to 1,618; (3) that the total acreage held by all European proprietors has increased from 586,149 to 624,172 acres; (4) that the total number of native proprietors has increased from 908,067 to 1,076,300; and (5) that the acreage held by native proprietors has increased from 4,627,903 to 4,650,018.

The policy of the Egyptian Government has been to endeavor to maintain the small proprietors, and, whilst affording all reasonable facilities for the employment of European capital in land development, to do nothing which would tend toward ousting native proprietors and substituting Europeans in their places. It is always somewhat dangerous to base conclusions on statistics—more especially when, as in the present case, they are incomplete—unless they have been most carefully examined. In the figures given above, however, there appears to be nothing inconsistent with the statement that the aims of the land policy adopted in Egypt have been achieved.

The increase in the aggregate amount of European holdings and the general increase in the number of "large" proprietors are both probably due to the same cause, viz, the formation of land companies, which, after expending capital on improvements, sell the land to native Egyptians. If this surmise is correct, the policy is unquestionably sound, and should not be changed.

SCHEDULE II.

EXTRACT FROM THE ANNUAL REPORT OF THE EARL OF
CROMER FOR THE YEAR 1905.¹

In the course of last year the Agricultural Bank was authorized to issue 284,000 new ordinary shares of 5*l.* each to its old shareholders at par, thus raising its authorized share capital from 2,500,000*l.* to 3,740,000*l.* The bank was also authorized to increase its debenture capital from 2,500,000*l.* to 6,570,000*l.*

In the course of the last year 106,373 loans were made by the bank. Of these, 47,941 were what are called "A" loans—that is to say, they were loans issued against receipt, of from PT50 to £E20. The remaining 58,432 loans were "B" loans—that is to say, they are repayable over a period of years and are guaranteed by mortgage. These loans are from £E10 to £E500. The most popular form of loan appears to be from £E10 to £E50. Of the total number of 58,432 loans, 45,267 fell within this category.

The total amount outstanding on the 31st December, 1905, was 5,914,000*l.*, as against 4,006,000*l.* on the 31st December, 1904.

Toward the close of last year the collections on account of interest and sinking fund were made with some difficulty in the Province of Behera and in the northern portions of Gharbieh and Dakahlieh. The difficulty arose owing to the lateness of the cotton crop. Nevertheless, out of a total collection due for the year of £E1,433,150, only £E94,633 remained uncollected at the end of December, and of this sum over £E20,000 was collected in January.

I wish, in connection with this subject, to record my opinion that Egypt has sustained a very heavy loss in the premature death of Sir Elwin Palmer, who, in various capacities, rendered most eminent services to the Egyptian Government and people. Sir Elwin Palmer, I may observe, when he occupied the post of financial adviser, took a leading part in the initiation of the system under which small loans are made to the Egyptian cultivators, and this at a time when comparatively few believed in the success of the measure.

¹"Egypt" No. 1 (1906), p. 35.

